

Public Utilities

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Mr. Lilienthal's Farmers

THE author expresses a genuine admiration for the hardy virtues of the inhabitants of the rural stretches of the Tennessee valley but asks what optimistic madness has seized upon Mr. Lilienthal when he says that if these farmers had cheap current they could absorb a surplus which will be of almost incomprehensible size when the TVA completes its Gargantuan project.

By HERBERT COREY

THE most disappointing thing about the Tennessee Valley Authority is the Authority's supercilious attitude toward fact. I am sure that it is an entirely honest attitude and that the Authority's apparent conviction that all members of the opposition are in direct league with Beelzebub is heartfelt and sincere. Nevertheless I am annoyed when three highly intelligent men insist on adding two to two and getting an invariable total of nine and a half. Their admitted honesty serves to call attention to their failures as mathematicians. One is reminded of the character in a recent comic strip. He had invented a pocket yardstick:

"Just three inches long. You can

carry it in your vest pocket," he said."

"How can you measure a yard with it?"

"Every one knows a yard is thirty-six inches long, and so you just add thirty-three inches."

David E. Lilienthal is the lawyer-member of the Tennessee Valley Authority and as a lawyer is presumably familiar with the importance of precision in statement. He told the Committee on Interstate Commerce of the House of Representatives that 98 per cent of the farmers in the Tennessee valley have no electric service and that if they were furnished with electric current at a low cost they could absorb "all this surplus we have been talking about."

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It was at this point that Mr. Lilienthal departed from that precision in statement which the taxpayers have a right to demand from a man charged with one third of the responsibility for an enterprise which may ultimately cost one billion dollars of their money and wandered off into the cloudy realm of conjecture. I am certain that Mr. Joseph P. Kennedy of the SEC would not endorse such a statement if discovered in the prospectus of a rising utility. It is probable that he would order the prospectus withheld from the mails, the type melted, and the author called to a strict accounting. It is quite true that 98 per cent of the farmers in the Tennessee valley have no electric service.

BUT what optimistic madness has seized upon Mr. Lilienthal when he says that if the farmers had cheap current they could absorb a surplus which will be of almost incomprehensible size when the TVA completes its Gargantuan project?

Even if the general taxpayer were saddled with the cost of supplying electricity to 676,028 shacks the surplus would not be absorbed. Mr. Lilienthal is no doubt accustomed to having his pants pressed and his eggs boiled by electricity, but the vast majority of the farmers and renters in the Tennessee valley simply have no use for it. If it were furnished to them free they could have little use for it. Before they could absorb any appreciable part of that surplus Mr. Lilienthal would be compelled to elevate them intellectually to the Yale and Vassar level. He would have to lift their epicurean standards to a

plateau from which they would call for *oeufs a la Henri* Quatorze instead of fried in bacon fat. It would be necessary to increase their incomes until the ladies of the Tennessee valley's farm homes could swathe their svelte bodies in silk instead of cotton and the men could go out to feed the pigs clad in well-cut Shantung.

MR. Lilienthal may be able to do this with the aid of the TVA and that good old man, the general taxpayer. But I must insist that until he puts on a convincing demonstration of how he can do it his statement lacks that clear-cut accuracy the taxpayer is entitled to expect from a man who is handling so much of the public money. To put the situation in a nutshell Mr. Lilienthal is either being consciously inaccurate with a purpose—and that I cannot believe because my admiration for Mr. Lilienthal is as profound and unreasoning as is my belief in the Einstein theory—or he is talking through his hat.

Let us have a look at the Tennessee valley farmers.

They are good men. I made a visit to the Tennessee valley and its encircling mountains recently and came away with a genuine admiration for them. They are kindly, self-respecting, and desperately poor. In perhaps a majority of instances their poverty is of dollars only. Their needs are few and are supplied. In the large minority of instances their needs are fewer and not adequately met. There is no present indication that the income of either class can be added to except at the cost of the general taxpayer. It is only just to say that they have been no more insistent on getting

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government aid than the hard-up class elsewhere has been, and that even yet the mountain men have not been softened by the free bread and government circuses.

THE Census Bureau shows that the average per capita income in the Tennessee valley is one of the lowest in the United States. This is not the fault of the man in the valley and its mountains, so far as I can see. The arable flatlands have never had a good market for their product except in the case of cotton, because of poor roads and high transportation and freight costs. The cotton lands were held for the most part in large estates and the fertility of the soil has been greatly reduced. Hundreds of thousands of acres have been in effect abandoned. The mountain dwellers lived by farming their little patches of ground, by logging, and by hunting and fishing. Some of the farmland slopes like the roof of a house. Most of it is stony and washed. The logging companies have practically stopped operations, except for a few neighborhood sawmills.

The Bureau of the Census supports these statements by its estimate of tangible values in the Tennessee valley. Only 1,040,000 of the 1,317,812 farm dwellings in the states of Kentucky, Tennessee, Alabama, Mississippi, and Georgia are valued at between \$500

and \$1,000, and of these 676,028 have a value of less than \$500. These latter are mere shacks. Their owners and tenants speak of them as "storm houses" and when one has seen them that becomes a brilliantly descriptive phrase. They afford shelter from the elements and little more.

"Would you like to have electricity in your home?" I asked many of the men who lived in the storm houses.

"What would I want it for?" they asked in return. "I got no need for it."

IT was perfectly evident that with certain exceptions they did not need it. These farmers and hunters and odd-trades men rise with the dawn when they have work to do and go to bed not long after dark. They sleep "long nights," as one called it, in the wintertime. They do little reading. A kerosene lamp gives them all the illumination they need in their homes. The livelier young men leave home when work is to be had and many of them return when jobs are hard to find. Recently many of the livelier young women are doing the same. A mountain man who had left home as a boy and is now the responsible head of a sound business in Knoxville, deprecated this latter fact:

"It's going to run down the mountain strain," said he.

He was proud of his mountain



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blood and of the mountain people. But the high qualities of courage and self-respect had been maintained in the mountain people, he said, through the fact that the women had not been able to get away from home until recently.

"The blood was kept up because only the best women got married," he explained. "The men who stayed at home were not as worthwhile as those who got out and got away, but the women were fine. Now the best women are going, too."

IN the four states of Kentucky, Tennessee, Alabama, and Mississippi there were 741,255 white farmers in 1930 and 320,959 colored farmers. Almost sixty per cent of all farms were occupied by tenants. There are some fine agricultural areas, especially in the dairying districts of Tennessee, but the financial status of the farming class in the TVA's sphere of operations is sharply defined by the Census Bureau's figures. These show not only a majority of tenant farmers but that ten out of thirteen farm dwellings have a value of less than \$1,000. The men living on such farms must inevitably look on electricity as a luxury to be provided only when their more immediate wants have been supplied.

Mr. Lilienthal has not as yet suggested the manner in which their incomes can be increased to a point at which they would spend money for something the need of which they have not felt.

Certainly not by farming. One of the fundamental plans of the present administration has been to move farmers from the marginal lands to

other lands on which they can make a living. If these unsuccessful men, however, were moved to the rich bottom lands on which profitable farming might be possible an increase in crop production might follow which would be distasteful to the AAA. The bright hopes originally entertained by the TVA that cottage industries could be created which would make these mountain and valley people financially independent seem to have faded. No one has yet replied to the query:

"What industries?"

ALL the needs of the American people for ceramics and blankets and hooked rugs and wrought iron ash trays and Indian heads painted on sheepskins are being satisfactorily supplied now by the mass producers. The TVA has opposed the importation of large scale industry which might result in the upbuilding of more factory towns to which more people might be drawn from the country districts to work on machines. If every mountain and valley man and woman were an artist and could produce individual gadgets of striking artistic beauty more would be turned out than could possibly be sold unless Americans agreed to discard the entirely satisfactory machine-made doodads they now own and buy from the TVA. That would involve a revolution in American artistic standards that might be beyond the power even of the TVA to bring about.

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TVA and Ontario Power Rates

" . . . with every factor of dependable water power and comparatively less costly production in favor of the Ontario concern, the TVA proposes to sell its power at little more than one half what the Ontario hydro has been forced to charge. It can only do so by active thimble-rigging."

Nor has anything beyond an aspiration been offered in the plan to build up cottage industries.

UNTIL the TVA has a common-sense plan by which these desirable ends may be accomplished Mr. Lilienthal's insistence that 98 per cent of the farmers will be able to buy so much cheap current that the contemplated surplus will be eaten up is but the airy fabric of a dream. With all deference the suggestion is made that the men who have been entrusted with the spending of an unknown amount of the overburdened taxpayers' money—not one of the Tennessee valley authorities has ever offered to put a limit to the ultimate cost of their project—should be discouraged when they show evidence of going into a trance. A little cold water splashed in the face often is of value in checking acute hysteria.

I am indebted to a study made by Major Ezra B. Whitman, economist,

engineer, and electrical expert, for some figures which should prove of value at this point. Major Whitman finds that the 33 large companies within a 200-mile radius of the proposed TVA plant have now an installed capacity of 5,341,389 kilowatts. After a careful examination he determined that the firm capacity would be not less than 4,000,000 kilowatts. In making this estimate he did not take into consideration the small plants in the area, or the large development of the Aluminum Company. Taken together they have a total installed capacity of 565,000 kilowatts.

THEN Major Whitman wandered into the realm of fancy, but unlike Mr. Lilienthal's excursion, it was clearly labeled. He accepted as a possible customer by 1940 every farmer in the five states who has an income of \$1,000 or more. He found that in the area there are now 100,000 farms

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on which electricity is being used. He arbitrarily assumed that more farms would be using electricity in the area than are now using it in the entire United States. In so doing he, of course, disregarded the financial handicap under which the farmers are at present suffering. He assumed that each one of these new customers from the farms would use 1,450 kilowatt hours annually, although the average consumption by farm customers in 1934 in the United States was only 778 kilowatt hours, and this included the irrigated farms of the West where the current usage is extremely heavy. He almost doubled in his dream book—plainly labeled, however—the number of small towns homes using electricity, and estimated that each would consume 1,200 kilowatt hours per year. This is about the high mark for small town residential usage where natural gas is not available.

Major Whitman then made similar assumptions as to the increase in commercial and industrial use, and increased the municipal services by 37 per cent and the street railway sales by 15 per cent and made an extra liberal allowance for company use and loss. In defiance of all his generosity, however, he was only able to push an estimated need for generating capacity up to 3,490,000 kilowatts. He points out that there is now a firm capacity of 4,000,000 kilowatts within the 200-mile radius, so that even if the current use in 1940 is inflated to the figures given there would still be an excess of 510,000 kilowatts of generating capacity in the area.

MR. Lilienthal is invited to oppose these concrete figures by some-

thing more definite than has yet appeared in his materializations.

The taxpayer should be informed of the cost of installations for Mr. Lilienthal's 98 per cent of the farmers in the area. If there are now 1,317,812 farm dwellings in the five states and 100,000 of them have been electrified there remains 1,217,812 which would require primary and secondary lines and transformers and the rest of the paraphernalia. Any such total is simply out of the question, of course, for the valley farms and mountain homes are widely scattered. Ruined lands in a great part of the flat land section separate the occupied farms and in the mountains the cabins are to be found in isolated valleys with here and there a tiny village. Even that fine character, the general taxpayer, might revolt at the cost of running wires to mountain peaks through second growth timber in order to provide current for a customer who does not want it and would not pay for it if he got it. It appears that inexorable fact will cut Mr. Lilienthal's optimistic 98 per cent to almost anything. No one can possibly make a business-like estimate—unless the TVA proposes to supply installations and service to the entire 98 per cent at the sole cost of the U. S. Treasury.

I AM particularly fond of Mr. Lilienthal because he is one of the few sterling characters I have known who is able to divorce himself entirely from probability. Whenever I hear him I gasp with that same incredulous delight with which I once beheld the chorus girls disappear beneath the surface of the Hippodrome tank. With one breath he will

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state that some farmers in the TVA's area have an income of only \$100 a year, and without proposing any means of increasing that income he foresees the day when 98 out of 100 of them will buy electricity. I asked one of the more prosperous ones if he did not want to have the current wired in. He was apparently a leader in his neighborhood. His farm home was excellent.

"Too dum tired to read at night," he said.

"You could use it in your cow stable."

"I c'n still milk and the Old Woman can still churn," said he. "I only got two cows."

"If the work were easier you could handle more cows." "Farm won't feed more," he said with finality.

The true believers in the TVA are fond of bringing in tales of the government-owned hydroelectric project in the Province of Ontario. It will hardly be denied that farm conditions are more favorable in Ontario than they are in the Tennessee valley. I have said something of what they are in the Tennessee area, but I have pulled my punches because I like the people. They are, take them as a whole, a fine set of philosophers, and if their cash income is not large they have compensations they value. No one in the mountains goes hungry if he is willing to work, even if about all he gets out of his work is the satisfac-

tion of his appetite. A farmer in the valley lands can at least raise enough vegetables and chickens and pigs to live on if he will care for them. Along the rivers he can knock over a duck now and then, or a cotton-mouth moccasin. But there are no indications that he may ever be as nearly prosperous as the farmers in Ontario.

THE Ontario hydro began life with the same fine confidence in the future that is the distinguishing mark of the TVA. Its promoters were sure that they could sell enough current at low rates to make a profit, just as Mr. Lilienthal, bless his optimism, has said over and over that the TVA is to be a bankable proposition. In Ontario the farmers were to be especially favored, but it appears that when they discovered that they must pay the cost of installation they declined with what amounted to unanimity. Thereupon the government offered to pay one-half the cost of bringing the current to their farms. That has been done for ten years. In that period 14.6 per cent of the Ontario farmers have hooked up to the juice. To put it another way 28,080 out of a total of 193,000 farms have been connected.

Mark this emphatic repetition of a previous statement. The Ontario farmers are fat with prosperity as compared to the farmers in the TVA's area. They have better land, more of it, and more avenues open to



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expansion than have the farmers in the Tennessee valley—as a class. There are good farms and good farmers in the Tennessee valley. But the figures of the Bureau of the Census throw a cold light on the others. Mr. Lilienthal's promised 98 per cent is not discoverable, unless the United States government goes the Ontario government one better and pays the entire cost of installation.

MAJOR Whitman goes on to examine the production costs of the TVA as compared to the Ontario costs. Niagara Falls is one of the finest water powers in the world. The Canadian rivers are more practical sources of power than are the Tennessee river and its tributaries, because of their greater regularity of flow. They are fed by snow in the summer-time instead or by impounded floods, among other things. As late as 1923 it was estimated that the constantly decreasing cost of power would add to the sum consumed annually and hence to an increase in profits, for it is obvious that if a hydro plant does not sell practically all the current it produces the ratio of cost to receipts is increased. Every drop of water that runs over a dam without being set to work is a drop lost. The promoters of the Ontario plant were confident—just as are the Tennessee valley authorities—that the capital costs would be returned to the people out of earnings.

The cost of power has been increasing steadily. By Major Whitman's figures the cost of power bought by the municipality of Niagara Falls has increased from \$9.90 per horsepower in 1918 to \$25.28 in 1933. In other

towns similar boosts have been registered. Thus the Ontario Commission estimated in 1906 that the cost of power to Hamilton would be \$9.50 per horsepower year. It is actually in 1933, \$29.34. Toronto's bill ran up from the estimate of \$12.50 to \$30.09, and Kitchener's from \$13.20 to \$31.67. London escaped with a doubling, the estimate in 1906 of \$15 rising to a fact of \$30.51 in 1933. In spite of this increase in the rate of receipts the daily press will inform the reader that the hydro's financial position is by no means satisfactory.

YET with every factor of dependable water power and comparatively less costly production in favor of the Ontario concern, the TVA proposes to sell its power at little more than one half what the Ontario hydro has been forced to charge. It can only do so by active thimble-rigging. If the TVA is held to rigid common sense in its bookkeeping, and is not permitted to charge off millions of dollars to that foggy item of national defense and that somewhat less foggy item of the improvement of navigation, it will not be able to make the showing on costs that Mr. Lilienthal is able to make when he addresses a friendly audience. It may be that it is fair to make a certain charge-off for national defense and the improvement of navigation should not be charged against the cost of producing electricity. But Mr. Lilienthal and his associates in the Authority should be meticulously careful in their statements, for they are handling the money given by the general taxpayer.

If they fail down there the things they say now may rise to plague them.

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Major Whitman has had practical experience in dealing with the hydraulic production of water power and in the financial examination of power plants. Figuring on the low interest rate of $3\frac{1}{2}$ per cent which is all the TVA consents to charge against itself and on a reduction of the 438,000,000 kilowatt-hour sales of prime power claimed by the TVA to the 367,000,000 kilowatt hours which is all he thinks will be possible, he obtains a cost per kilowatt year of \$44.20 as against the TVA's cost figures of \$19.50. "If the interest rate is raised to 6 per cent, which the private utilities would be forced to pay, the total annual cost per kilowatt year of prime sales would be \$58."

My confidence in the inherent honesty of the three members of the TVA is not abated, but I am forced to fear that perhaps they do not know as much about the costs of producing electricity as do men who have spent their lives at it. Dr. Arthur E. Morgan is a grand old enthusiast and Dr. Harcourt A. Morgan knows what he is about when he talks of cattle ticks and soil erosion, and David E. Lilienthal is a legal crusader against utilities. But they are spending taxpayers' money and it seems to me it is about time that someone besides themselves inquire whether they

are spending it wisely. Comptroller General McCarl manifested a brisk dissatisfaction with the manner in which they are spending it—not the wisdom of their plans but the accuracy of their bookkeeping—but with the help of Congress they gave him a thorough licking. He is in effect warned off auditing the TVA. The Authority's slogan seems to be "Every Man an Auditor."

So that's out. The taxpayer is not to be permitted to find out whether his money is being spent according to the specifications. But it seems to me he might be able to discover whether Mr. Lilienthal's 98 per cent of current-hungry farmers exist and if so where they are. I could not find them on a trip to the Tennessee valley. I do not believe they are there. Even if Major Whitman's honestly fanciful assumption is correct and more current-buying farmers can be found in the Tennessee valley than are now buying current in the entire United States, they cannot exhaust the kilowatts that are even now being offered to them. So where is the market for that practically illimitable increase in electric power which the TVA promises when it has its turbines all working?

And if the 98 per cent of farm customers cannot be found on Mr. Lilienthal's' next flight—well—

Happy landings, Mr. Lilienthal.

Public Utility Lullaby Service

THE woman in the shoe hitched the cradles of her litter to her rocking chair, but J. Otto Hahs, Sikeson, Mo., inventor, has supplanted even the rocking chair with an electric gadget. The contraption, by the mere pushing of a button, rocks baby's cradle, bassinet, or buggy with true motherly care. Hahs, who thinks his invention is the "greatest of all the ages," for the reason that "the hand that rocks the cradle rules the world," brought his contraption to the National Inventors Congress at its recent meeting in Chicago.



Let Business "Gang Up"

All industry, big and little, in the opinion of the author, has a stake in the controversy between the Federal administration and the public utilities.

By EDWARD F. HUTTON

CHAIRMAN OF THE BOARD, GENERAL FOODS CORPORATION

I KNOW little or nothing about public utility management or public utility operation.

It has always seemed to me to be a highly technical business requiring great experience, skill, ability, and absolute fidelity to the interests of the consuming public and to the millions of thrifty citizens who have provided the billions of dollars which have made these great utility enterprises possible.

Sometimes I marvel at the service which they give for the money they ask of their customers. Personally, I feel quite sure that the domestic consumer as well as the business or industrial consumer gets quite as much for his electric dollar or gas dollar as he gets for any other kind of commodity dollar. Perhaps he gets more—the steady decrease in electric rates since 1913 compared with the increase in prices of other commodities would indicate that he does.

I have an opinion, however, about the difference between good business

practices and bad business practices—between the maintenance of a code of ethics in dealing with the public and with competitors and a total lack of any code of ethics—"fair and unfair practices." I know something and have very definite ideas about the obligations of the business executive to his stockholders, his employees, and the public. I can understand what it means to the owner of stocks and bonds in public utility enterprises to watch the value of his securities gradually destroyed by unwarranted attacks of demagogues in high places, political opportunists, and self-seeking academic theorists. I also think I know what it will mean to all American business and industry if the control of the supply of electric light and power should at some future time become centered in some Washington bureaucracy with the present stability and continuity of service dependent on the whims of politicians and the requirements of political patronage.

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THEREFORE, I approach the whole subject of the effort of the present Federal administration to destroy the privately owned and operated utilities from the standpoint of a taxpayer who has a hearty dislike of class subsidies at his expense and also as an ordinary private citizen who has intelligence enough to be alarmed over this costly effort to substitute economic chaos for the orderly procedure which has made this country the richest and the greatest in the world.

What has puzzled me for the past three or four years is the almost absolute silence on the part of public utility executives in the face of the most bitter attacks and denunciation on the part of the Federal administration as well as many state and local officials taking their cue from Washington. It is only recently that there has been any concerted effort on the part of the electric utilities to meet these attacks and this only because they were brought face to face with so-called "death sentence" legislation.

FRANKLY, I think that the leaders of the public utility industry—either through errors in judgment, negligence, or fear of reprisal on the part of the present administration—failed in their obligations to their security holders, their employees, their customers, and to the American people when they failed to fight government competition to the very limit of their resources. Had they called upon their security holders for help and explained to them in words of one syllable just what the Federal water-power policy means to their properties; had they appealed to their employees and explained to them just

what the government projects mean to their jobs; had they appealed to other large-scale industries for support; had they demanded that the banks and the insurance companies give some recognition to what this destruction of public utility securities values means to their depositors, their policyholders, and their stockholders; they could have marshaled an army which would have made itself heard quite as effectively as the organized labor lobby, or the bonus lobby, or any other minority pressure group including the group that is putting over the "must" program.

But they didn't. And just as long as public utility managements depend on diplomatic protests by a few top executives they will not get very far in the Washington of today. The radical element temporarily in control of our government has "ganged up" on them. What is needed is mass protest—the kind of protest that definitely indicates a great block of votes behind it. It is a sad commentary on the depths to which our political system has fallen but votes are the only things which count in Washington today.

ALSO I have difficulty in understanding why other public utilities as well as industries which must be directly affected have not joined in the fight which the electric utilities are having. To me, as an average business man, it seems that if the government is going to furnish an unlimited supply of electric light and power at any old price regardless of the cost to the general taxpayers and regardless of the destruction of wealth in the form of public utility property values,



Interest of Business in Utility Controversy

"ALL industry, big and little, has a stake in this controversy between the administration and the public utilities. . . . The utilities have the right to demand the support of industry, of insurance, of banking, and of the American people in this death struggle in which they are engaged just as these other industries will have the right to expect the support of the utilities when their time comes—that is if the privately owned utilities are in existence at that time."

the gas industry, the coal industry, the oil industry, the telephone industry, the railroads, and many other industries will be seriously affected.

The fact of the matter is that the government in forcing the electric utilities to take the count is taking the first step in a program which was formulated many years ago by some of the very people who are among the most trusted aides in the whole "New Deal" set-up. It will be found in the various platforms of the Socialist Party of America. Once the privately owned and operated electric light and power industry is out of the way, the next step, the nationalization of some other great industry—coal, gas and oil, railroads, telephone, or any other—will be just that much easier.

WHY have not these other industries whose interests are almost identical with those of the electrical

industry "ganged up" with the utilities and presented an unbroken front in opposition to government competition and punitive legislation? Why hasn't all business and industry joined in the fight? Benjamin Franklin, when signing the Declaration of Independence, said that if they did not all hang together they would all hang separately. If the major industries of this country do not hang together, if they do not openly call their stockholders and employees to the colors in a 1935 Declaration of Independence, the radicals that now infest the executive and legislative departments of our government will joyously hang them all separately.

The business interests of this country—whether it be the banking interests, the various public utility interests, the insurance interests, the railroad or communications interests, or any of the other interests which go

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to make up our economic life—have been and are now, at the present moment, thinking only in terms of selfish group interests and selfish group activities.

In other words the food industry, for example, has taken no particular interest in the "death sentence" of the utilities. Apparently it has not stopped to think that if the government can wipe out the utility holding companies by legislation it can wipe out holding companies in the food industry.

HAS the copper industry, or the steel industry, or the automotive industry given any thought to this life-and-death fight which the utilities are having not only with such proposed legislation as the Wheeler-Rayburn Bill but with destructive government competition? On the other hand, how much interest have the utilities taken in chain store taxation, such legislation as the Guffey coal bill designed to land the coal mining industry in the hands of bureaucracy, or the processing tax which, with the help of mandatory restricted agricultural production, has contributed so much to the increased cost of living?

The trouble is that every industrial group in this country has been concerned only with its own troubles and with legislation that affects its own business and its own prosperity. Each thinks it has troubles enough of its own and that the other fellow's troubles are not up its alley, so why bother about them. Unfortunately for them, all of these proposals which have for their ultimate objective some new form of collectivism are very definitely "up the alley" of all indus-

try. And other industries are going to find themselves in exactly the same position as the utilities, the coal industry, or the oil industry if they do not stop, once and for all, what I have called selfish group thinking and selfish group activities.

DESTRUCTION of the privately owned and operated electric utilities by means of ruinous government competition not progressing rapidly enough, the administration proposed to weaken it by wiping the holding companies and their hundreds of thousands of stockholders out of existence. I hold no brief for the utility holding companies. I know that financial structures have been built which never should have been built. I know that some of them have been guilty of practices which are condemned by every one including the electric utility industry itself. I know there must be holding companies which, having served their purpose, are no longer needed by the operating companies and might very well be turned into investment trusts.

But I also know that the great prosperity, the vast national wealth of this country, has been built on the structure of the holding company. All American business and industry rests on an original foundation of holding companies. Our great railroad systems are nothing but holding companies. The General Motors, U. S. Steel, American Telephone and Telegraph, Anaconda Copper, and innumerable other large-scale enterprises including General Foods are holding companies. It is these holding companies which have made possible the standard of living of which

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we are so justly proud and which have given the American people the services they are receiving from business and industry generally.

OF course every thinking businessman realizes or should realize what is behind all of these attacks and attempts to eliminate "bigness" from our economic structure. It means a carefully planned effort to place the United States of America in the same category as that of Russia, or Germany, or Italy, with the Supreme Court relegated to the wood-shed and the Constitution on which we have rested so securely nothing more than a historical document of rather indifferent interest.

All industry, big and little, has a stake in this controversy between the administration and the public utilities. If the government should succeed in carrying out the plans so carefully drafted by the radical socialists all industry must suffer sooner or later. The utilities have the right to demand the support of industry, of insurance, of banking, and of the American people in this death struggle in which they are engaged just as these other industries will have the right to expect the support of the utilities when their time comes—that is if the privately owned utilities are in existence at that time.

So I say: "Let's gang up!"

The business men of the country, the owners of stocks and bonds or any other property, the holders of insurance policies, and the depositors in banks, must realize that the only way, to prevent regimentation, collectivism, or any other "ism," is for all groups to join together in one great group

which will come to the help of any individual group when it is attacked.

It is only in this way that a great business and industrial lobby can be created which will be heard effectively in the Halls of Congress, in the executive departments, and even in the White House itself. Such a group, representative of all factions, can come to the support of Representatives and Senators who are backing proper and constructive legislation and fight with all of the resources at its command those Representatives and Senators who are backing destructive legislation for their own political ends.

I have said before and I say again that I do not approve of the methods used by minority pressure groups. They have a tendency to warp the judgment of members of Congress and make it difficult for them to exercise their own free and independent judgment. But just so long as they exist business and industry have no choice—they must adopt similar tactics. Business and industry can have a lobby which will overshadow them all. Why don't we organize it and come to the help of any part of business and industry when that help is needed?

Why not create an American Federation of Business? After all the profit and loss system and labor are sleeping in the same bed.

I have often said and repeat here: "Any legislation which interferes with the normal activities of business and industry automatically stops the employment of labor." That is why we are all in the same bed when faced with legislation of this character.

Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

GLENN FRANK
President, University of Wisconsin.

"The new capitalism knows that profits lie in low prices and high wages."

GEORGE W. NORRIS
U. S. Senator from Nebraska.

"If the TVA ever becomes a political machine, it will be the end of TVA."

EDWARD F. FLYNN
*Assistant to General Counsel,
Great Northern Railway Company.*

"Inland waters, unless subsidized by the government with your money, cannot compete with railways."

A. MITCHELL HEPBURN
*Premier of the Province
of Ontario.*

"When the Liberal government went into power a year ago last June we found our great public utility in a bad way."

HUDSON W. REED
*Special Executive Assistant,
United Gas Improvement Co.*

"Private utility companies can no longer ignore the fact that rural electrification is tied up inextricably with the general social problem of the farm dweller."

Statement in "World Economic
Review," 1934, Published by
U. S. Commerce Department.

"Rates to householders continued the downward trend, which tendency, with few exceptions, has been apparent throughout the history of the electrical industry."

GLENN P. TURNER
Attorney, Madison, Wisconsin.

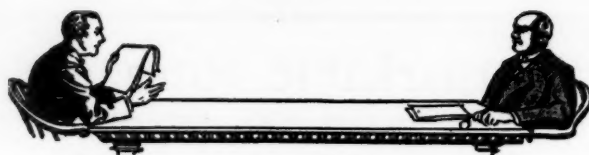
"The sure way to end the depression is to have the government buy enough places of gainful employment to give every person who wants to work a chance to support himself and his dependents."

ARTHUR E. MORGAN
*Chairman, Tennessee Valley
Authority.*

"The TVA program is close to the President because he realizes that the problems the TVA is attacking, control of the great Tennessee river, soil erosion, the provision of cheap power, and others, are too large for any one community."

JAMES P. WARBURG
*Former Economic Adviser
of President Roosevelt.*

"If you deduct the subsidy of taxpayers' money from the Tennessee Valley Authority and from its rates now in effect, the 'yardstick rates' of which the administration speaks so proudly are higher than the rates charged by the private companies serving the same territory."



Popular Misconceptions

As to Beneficiaries of Street Franchises and Other Things

By HENRY C. SPURR

A FAMOUS old lawsuit was about a man who threw a lighted squib into a crowd of people. In self-protection the squib was tossed from hand to hand until it finally exploded and put out a man's eye.

The question was who was responsible for the injury—the last man who threw the squib or the man who lighted the fuse and tossed the dangerous thing into the crowd. The court held that it was the smart aleck who started the squib on its course.¹ His act was said to have been the proximate cause of the injury.

If the court had decided the legal question as the majority of persons reach conclusions on economic questions, it would never have looked beyond the last act in this train of events. The immediate cause of the damage would have been all that was seen. The last man to pitch the squib away from himself would have been held responsible, not the man who lighted the fuse.

IN considering economic questions we seldom look beyond a single situation. We see only one side of

economic equations. There is usually a forgotten man or a forgotten cause or effect, or possibly an unseen man or an unseen cause or effect. The consequence is that fallacies flourish luxuriantly in this field. Many of them are so deeply rooted that any attempt to disturb them would be as heretical, although not as risky, as was Galileo's effort to show that the earth revolves.

Take, for example, the fallacy that franchises to use the streets are granted for the benefit of utility companies.

"Why should a city build a subway and turn it over to a street railway for its sole use?" asked a citizen of New York city not long ago. "Nobody," said he, "uses the subway but the railway company."

Plenty of persons look at subway use as if it were solely for the benefit of a railway company. It is a very simple example of the prevalent fallacy about special highway uses for which franchises are granted.

The people observe cars moving on railway tracks through a subway. The cars are owned by a street railway company. So are the tracks. All that many persons apparently see

¹ Scott v. Shepherd, 3 Wils. 403.

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are the cars and the tracks; so they conclude that nobody except the street railway company uses the subway or else they think the use is primarily for the benefit of the railway company.

It is not the railway company, however, that uses the subway. It is the people who ride in the cars who use it. Both the subway and the railway itself are for the use of the people who have to be carried from place to place. If they did not have to travel in this way, there would be neither railways nor subways.

Suppose that instead of being built for street cars a subway were constructed solely for foot travel. No one would then say that it had been built for the use of anyone except the people who walked through it. Assume that this subway were turned into a highway for private passenger automobiles. If the owners themselves always drove their cars, it would be admitted that it was the owners of the cars who were now using the subway. If, instead of driving their own cars, the owners hired chauffeurs to do it, who would then be using the highway—the owners of the cars or the chauffeurs? Most persons would still say that it was the owners of the cars.

IN by-gone days, when persons wanted to take a ride, they used horses and buggies. If the owner of such a rig drove along a road, he would manifestly be regarded as a user of the road. If he hired a rig from a livery stable and drove along the same road, would he not be as much a user of it as if he owned the rig himself? And would it make any difference if he hired both the rig and a driver?

If we substitute a street railway for a horse and buggy, is the principle not the same? Instead of hiring a horse and buggy from a livery stable, the passengers in effect hire the railway cars and drivers. It is really the car riders and not the car owners who are using the subway.

To say that nobody uses a subway except a street railway company is like saying that nobody uses a house where servants are employed except the servants. To say that subways are built solely for the benefit of street railways is as fallacious as to assert that the master's house is built solely for the benefit of his household servants. If it is said that the street railways also use the subways, it must be admitted that they do, but they use them in the same way and for the same purpose that a master's servants use his house.

Some of the ideas we have about street uses are very curious. They are partly the result of a tendency to exalt public servants above their masters—the people—and partly owing to the tendency to look only at the surface of economic questions. Even the courts say that the use of streets for gain is a special use, which means that the courts like almost everybody else consider this special use as a sort of exclusive benefit to persons who are gaining money by the incidental use of public highways.

Such special use would include use for street railway purposes, for trucking for hire, and probably for the delivery of goods by merchants to their customers. The use which the public utilities make of the streets is considered as very special. For this use they have to have franchises. The

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grant of these franchises is held to be the extension of a great favor to the utility companies. It has even been spoken of as an act of grace.

Three out of four persons would probably regard the use of streets by utility companies as a special use solely for their benefit. But it is no more a special use solely for the benefit of the utilities than the use of the master's house by servants is a special use solely for the benefit of the butler, the valet, the cook, and the maid.

Let us see whether we ought not to revise some of our ideas about who it is that uses the streets or for whose benefit they are used.

LOOKING out of an office window over a street in the business section of a city one will see a succession of automobiles either moving or parked along the curb. These will perhaps include private cars, taxis, trucks, and occasional passenger busses. Steel rails may lie in the center of the street along which electric cars pass. There may be elevated tracks and possibly a subway along which other cars move. Of course, there will be sidewalks for foot traffic.

Beneath the surface of the street we know there must be a sewer to carry off sewage from the buildings. There must be a water main to supply water, a gas main for gas, and elec-

tric and telephone conduits through which electric and telephone service are furnished to the tenants of the buildings. Thus it will be seen that the street is merely a channel for the flow of traffic. It is used by persons who have to transport themselves or be transported from place to place, and also by persons who have to receive goods or services which they could not receive except through this channel.

If a man leaves his office and takes a stroll on the sidewalk, he is manifestly using the street for a very common purpose. In this case it would be plain enough that the street was being used for his benefit. If, instead of taking a stroll, he walks across the street to a restaurant for lunch and back to his office, is he still using the street or is it the restaurant keeper who uses the street in this case? Most persons would still say that it was the customer of the restaurant rather than the owner who was using the street, because the restaurant exists for the convenience of the customer not the customer for the convenience of the restaurant.

Suppose, instead of walking across the street, the man takes a taxi to get to his eating place. Who is now using the street—the man who leaves his office for lunch, the owner of the taxi, or the proprietor of the restaurant? It would seem that the person for



Q "THE popular fallacy that when power is developed by the government it is for the benefit of the people, and when developed by private enterprise not for the benefit of the people but for the benefit of utility companies, has led to the advocacy of a discriminatory policy in respect to the sale of current developed by government enterprises."

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whose benefit the street is used in this transaction is the man who leaves his office for his lunch. He would be the lighter of the fuse.

TAKE another illustration. When a tenant of a building on the street arrives at his office in the morning, his secretary tells him she needs a new ribbon for her typewriter. The employer can either go for the ribbon himself or send his secretary for it or order it by mail or by telephone and have it delivered to his office by the stationer.

If he goes for it himself, who is using the street—the man who wants the ribbon or the stationer who sells it to him?

If the employer sends his secretary, who is using the street—the employer, the secretary, or the stationer?

If he orders the ribbon by mail or telephone and has it delivered to him, who is then using the street—the man who orders it, the Federal government, the telephone company, the stationer, or the stationer's clerk who delivers the ribbon?

There might be a difference of opinion as to the person immediately using the street in any of these situations, but there ought to be none as to the person for whose benefit the street is used. The man who orders the ribbon is the one who lights the fuse in this case. He is the one proximately responsible for the use of the street. Although it might be said that the Federal government or the telephone company or the stationer or his clerk was making a special use of the street for gain, this so-called gain is nothing but the wage of persons employed to serve the need of the man

who wants a typewriter ribbon, and whose want cannot be fulfilled without the use of the street in some way.

A FRANCHISE to use the streets of a city in order to supply water, railway, gas, electric, or telephone service is not a grant for the benefit of utility companies, but for the convenience of the people who want these services and could get them in no other way. It is the people who need the service and not the utility companies which render it who are the proximate cause of the use of the streets.

If these street uses are special and the grant of a franchise is the grant of a favor, then the people are only granting a favor to themselves and not to the companies. The people merely invite the utilities into the people's house to serve them. They do this for themselves and not for the utilities.

If the people want to tax themselves for this special use which they make of the streets, they have the right to do so; but such taxation is usually imposed on the theory that it is the utility company rather than the people who benefit.

The use of streets by utility companies is like their use by merchants to deliver goods, although usually less burdensome to the highway. An ice company, for example, delivers ice to certain patrons along a street. The ice is put into a truck which is driven through the street to the house or building where the ice is wanted. The ice man brings the ice in.

If a customer of a gas or electric company uses gas or electric refrigeration, ice is no longer brought through the streets to him, but gas or

A Common Fallacy about Who Benefits from a Franchise to Use the Streets



"THE people observe cars moving on railway tracks through a subway. The cars are owned by a street railway company. So are the tracks. All that many persons apparently see are the cars and the tracks; so they conclude that nobody except the street railway company uses the subway or else they think the use is primarily for the benefit of the railway company."

electricity is brought to him so that refrigeration can be accomplished on the premises. What is the difference so far as street use is concerned? What is the proximate cause of the use of the street in either case? It is, of course, the customer who wants the ice. It might well be said that it is he who is using the streets. At least it is being used for his benefit and not for the accommodation of the servant who serves him.

The same thing is true of all other utility services. The grant to a utility company of the right to use the streets is a grant for the benefit of the utility customers, not for the accommodation of the utility. So we ought to stop saying that street franchises are a great favor to utility companies.

THE same erroneous idea as to who is benefited by the use of streets prevails with reference to the development of hydroelectric power by private utility companies. The development is looked upon as one solely for the benefit of the companies. Why should the people be deprived of these great natural resources, it is asked?

Instead of being developed by private companies, why should they not be developed by the people for the use of the people?

The development of hydroelectric power by private utility companies is not, of course, a development for the benefit of the companies, but for the benefit of the people who use the power. If the people develop the power themselves, they are in the same position as a man who wants a typewriter ribbon who goes for it himself instead of having someone else deliver it.

It makes no difference, so far as the use of the power or the natural resources is concerned, whether the development is by the government or by private enterprise. In each case it is the people who use the power and, therefore, utilize the development. The development is for their benefit and not for the accommodation of the agency through which they receive the power. The only way that a hydroelectric power development by private enterprise could be withdrawn from the people would be by the refusal of the company to deliver any power. The only way that a power site owned

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by a private company could be withheld from the people would be by the refusal of the company to develop it. The moment power is developed and sold it goes into use of the people whether the development is by private enterprise or by the government.

THE popular fallacy that when power is developed by the government it is for the benefit of the people, and when developed by private enterprise not for the benefit of the people but for the benefit of utility companies, has led to the advocacy of a discriminatory policy in respect to the sale of current developed by government enterprises.

It is suggested, for example, that where power is developed in government plants for sale, preference should be given to municipal plants and possibly to coöperative farm plants over sale to private utilities for distribution to their customers. This must be on the theory that the sale to the municipal plants would be a sale for the use of the people, while the sale to the private plants would be a sale for the use of the utility. But the sale in either case would be a sale for the benefit of the people who wanted to use the current. The sale to the municipal utility would be no more of a sale for the benefit of the people than would be the sale to the private company. Customers of the private company are as much entitled to be regarded as the people as are the customers of the municipal plant; and they, of course, have as much right to choose their servants as have the customers of the municipal plant.

As the customers of the private plant bear their share of whatever

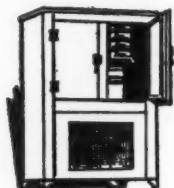
taxation is imposed for the construction of a government plant developing the power, they should have as much right to its output as the customers of the municipal plant. Any preference in favor of the customers of the municipal plant would be an unfair discrimination.

TO summarize: In all cases utilities exist to perform services which the people want. If the performance of that service requires the use of the streets, then the streets are primarily used in that service for the benefit of the customers of the company and not for the accommodation of the company itself. If hydroelectric power is developed, it is primarily developed for the use of the people, not for the benefit of the company. It is the people who use the electric power. When power is developed by government plants for sale, the sale to a private company is as much for the benefit of the people as is the sale to municipal plants.

The people in granting utility companies franchises to use the streets are granting favors not to the company but to themselves. If they think this use of the streets should be taxed, then it is appropriate that the franchise tax should be imposed as it is on themselves, for it is they who are making or requiring the special use of the streets.

SIMILAR to the idea that franchises and hydroelectric developments benefit none except the utilities is the prevalent notion that wealth benefits only its possessor. It is said to be very dangerous to the people of the country to have the wealth concentrat-

The User of Ice Has Use of the Streets, Whether
or Not He Is a Utility Ratepayer



"IF a customer of a gas or electric company uses gas or electric refrigeration, ice is no longer brought through the streets to him, but gas or electricity is brought to him so that refrigeration can be accomplished on the premises. What is the difference so far as street use is concerned? What is the proximate cause of the use of the street in either case? It is, of course, the customer who wants the ice. It might well be said that it is he who is using the streets."

ed in comparatively few hands. The popular idea seems to be that if wealth is so centered it is withdrawn from the people. But whatever valid arguments there may be in favor of a more equal distribution of wealth, the idea that its concentration in the hands of a few persons results in its withdrawal from the people is unsound.

The great bulk of the wealth of the country, no matter in whose hands the legal title is lodged, is in the possession of and is being constantly used by persons other than the owners. No matter how wealthy a man may be he has comparatively little for himself.

NOT long ago a very rich man died. He had gained his wealth by the creation of a great industry which gave employment directly and indirectly to thousands of persons. In the course of his life he gave away millions to philanthropic enterprises, but still he had plenty left at his death. When his will was opened, it was found that his fortune had been mostly invested in government securities of almost every state in the United

States. What he himself had was nothing but a lot of promises on papers piled up in safety deposit vaults.

What did this mean? It meant that the people of the various states had the possession and use of this man's money. Only a fraction of it had been devoted to his personal wants.

It is the same with all normal uses of wealth or capital. It is not withdrawn from the people, but is used by them. A man may own many houses, but only the one he uses or holds for his own use is withheld from the people. If a man has his wealth in money, that money will be invested in business which assists to supply the wants of the people and gives employment, or the money will be deposited with a banker who in turn invests it for him.

If a large part of the wealth of the rich were in money, and this money, instead of being invested or deposited, was hoarded, it would then be withdrawn from the people. It could be withdrawn only in that way. What that would mean to the people has been seen in the effect of hoard-

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ing on the business of the banks and indirectly upon all other kinds of business. How far the owners of money would be permitted by the people to hoard it has also been indicated by past congressional action against hoarders and its effect upon them.

MANY persons seem to think that if wealthy persons do not make large contributions for charitable or philanthropic purposes they are not using their wealth for the benefit of the people. But that is not true. The money is merely being used for a different public purpose. The owner of wealth may be selfish and refuse to give to charities, but if he does not hoard, if his wealth is invested, it is used for the benefit of the people as much as is that of the philanthropist. It is, of course, used in a different way, but the people nevertheless benefit from its use.

Perhaps it is not such a bad thing after all to have a few millionaires

around who have free capital not needed for themselves which can be devoted to the service of the people. If wealth were equally distributed so that each person had little more than enough to supply his personal wants, business would suffer in about the same way it does from hoarding, and that would be not so good. This may be regarded as heresy, but it is worth thinking about.

However, as long as we have millionaires we must remember that if they are not servants of the people, they are at least servers of the people, whether they want to be or not, and whether their motives are selfish or unselfish, or their vision broad or narrow.

We are, in fact, all members of a great fraternity in which the way to riches and preferment is service to the people. But it often happens that those who serve the people best are without honor in their own house and their own country.



Social Consciousness in American Capitalism

"THE directing geniuses of American industrialism are not money-mad monsters moved by an every-man-for-himself-and-the-devil-take-the-hindmost philosophy. Private profit is not the major incentive that holds the majority of industrial captains at their posts. I number among my personal friends scores of industrial captains who have long since passed the point of interest in the income they personally derive from their captaincies. They are as deeply interested as any Stalin in the part they and their industries may play in lifting the labor and leisure of the toiling millions to new levels of social satisfaction."

—GLENN FRANK,
President, University of Wisconsin.



OUT OF THE MAIL BAG

Plea for Better Railway Service

IT is almost exactly two years since I commenced to write an article for **PUBLIC UTILITIES FORTNIGHTLY** which finally appeared in the issue of January 18, 1934. It dealt at some length with the prospects for developing unified interurban operation in the states where such facilities still exist on a respectable scale. I saw a wonderful chance to bind together Cincinnati, Dayton, Springfield, Columbus, Toledo, Cleveland, Louisville, Indianapolis, Fort Wayne, Terre Haute, South Bend, Gary, Chicago, Aurora, Elgin, Milwaukee, and many other cities of importance by means of through passenger and freight service over all the electric interurban lines which connect those communities with one another.

I recall that Tyler G. Price, whose pungent articles on steam railroad operation enliven the pages of **PUBLIC UTILITIES FORTNIGHTLY** from time to time, also remarked the apathy of railway people towards elementarily simple schemes for bettering service and, thereby, their fortunes. All of which leaves one wondering. One concludes, in the end, that "99.94 per cent" of railwaydom is "asleep at the switch," bound up in the red tape of traditional practice, and resentful of departure from the habits of decades. A few streamline super-speed trains on long runs affect the riding habits of a very small portion of all the people who ride on trains, but vast numbers have to use trains that average barely 24 miles per hour. Almost any bus can do as well.

As far as steam railroad service is concerned, places in Rockland county and North Jersey barely thirty miles away from New York are, in point of time, almost as remote as Philadelphia, and the traveler from those communities finds himself unloaded in Jersey City with the alternative of a good walk to the ferries and another long and dangerous walk across West street on the New York side of the river, or a stiff gallop with a surging throng through the seemingly endless underground passage that leads to the Hudson and Manhattan Railroad tubes. How, I ask, can railroads like the Erie, the West Shore, the Ontario, the Lackawanna, the Lehigh Valley, the Balti-

more and Ohio, and the Central of New Jersey—Reading Lines, hope to retain their present business,—to say nothing of recovering the old and adding new business,—when even the *best* service of which they may be capable under prevailing conditions must end in appalling inconveniences,—in some cases at terminals which are a downright affront to the nose as well as to the eye? Why do these railroads so consistently decline to participate in the North river bridge project (as reported in the *New York Times* of August 13 and 14, 1935) which would give them a union terminal in the very center of New York? It seems an utter misfortune that the I.C.C. has not been empowered to compel their cooperation to this end. Let me dwell on that subject briefly.

I remember, years ago when John F. Hylan was New York's mayor, work was begun on a tunnel under the Narrows. It was to cost \$60,000,000 and it was to be made roomy enough to handle standard steam railroad equipment. The tunnel would have effected the physical connection of rail facilities in Brooklyn with Staten Island (Richmond borough of the city of New York), and, of course, would have, in the long run transformed the features of the city of Greater New York.

ONE must bear in mind that Brooklyn is by far New York's most populous borough, and that with Queens borough, its neighbor on the Long Island side of the East river, it harbors far more than half of the total population of the greater city. Nevertheless, there is not a single genuine trunk line terminal in Brooklyn or Queens,—or anywhere else on populous Long Island, for that matter. The Narrows tunnel work was abandoned when, to the best of my recollection of the information given me, Alfred E. Smith, then governor of the state of New York, refused to sanction anything more elaborate than a rapid transit tunnel to cost \$22,000,000. Such a tunnel would have been as senseless as a bicycle in a swamp, and Mayor Hylan sensibly ordered the project abandoned. For years the rumor persisted that the governor's veto was the result of pressure brought by a certain railroad with red cars to which, it was alleged, he was especially friendly.

OUT OF THE MAIL BAG

The coöperation of the railroads which terminate in New Jersey in the 57th street-North river bridge project has possibilities of colossal importance to the city of New York. The terminal tracks should be continued over into Long Island to connect with the New York connecting railroads leading to points in New England and northern New York, and, via the Port of New York Authority's proposed tunnel under New York bay, back into New Jersey, and to points in the South. A second great station could be built in East New York to collect traffic from all over Brooklyn, Queens, and the rest of Long Island, to the tremendous relief of local transit facilities of every description which now converge upon the Pennsylvania Station and Grand Central areas in Manhattan.

It is an interesting commentary upon the sincerity of official objections that those interposed by the War and Navy Departments, which stand opposed to the North river bridge project on grounds of possible interference with naval operations by reason of collapse or demolition in time of war, do not seem to have been considered applicable to the construction of bridges over the East river,—in particular, the huge Tri-Borough bridge, now under construction. The East river is far more important from a strategic standpoint than the Hudson. The Hudson is a mere cul-de-sac. The Navy Department might bear in mind, too, that the Brooklyn Navy Yard itself is situated *between* two suspension bridges, and that the Hudson is bridged at 178th street, and at about six other points in its navigable length. One suspects . . . influence?

The 57th street bridge should be built for railroad and pedestrian use and not opened to vehicular use until the 38th street tunnels, now under construction, are regularly taxed beyond their capacity during twenty hours of every week.

Such a regulation would eliminate the objections of at least the PWA and others who view the thing from a purely financial standpoint.

Bridge and terminal operation should be electric, of course, using the 11-kilovolt single-phase trolley system. For hauling Lackawanna electric trains, and steam train cars, special locomotives could be provided. It is not an impossibility to equip such locomotives with converters which will supply 3-kilovolt ac to the Lackawanna's electric cars, and other voltages for other equipment as required.

One thing is certain: the old Jersey terminals are doomed and no transfer service, however elaborate, can take the place of a convenient metropolitan terminal. In the meanwhile the busses will thrive. As we know, people ride busses because the busses come right into town; not alone because they may be cheap, clean, or fast.

For example, thousands of people make numerous trips by bus between New York and, say, Spring Valley every year. Before the busses entered the field the Erie enjoyed all the business there was. The Erie does not receive that business now. In the first place, to patronize the Erie it is necessary to take the Chambers street busses to get to the ferries, and, after arriving in Jersey City, there is the long walk to the train side. Whoever goes to Jersey City in the tubes has to endure a steep uphill walk in a dim and stuffy underground passageway that seems to be a quarter of a mile long, and is brought out into scenes of grime and utter desolation. The gravitational effect upon one's luggage in that passageway is beyond belief too. Until things like this are eliminated a lot of railroad advertising is a sheer waste of money. Nobody loves trouble.

However, so much for terminal arrangements. One of the most exasperating things I know of is to be on a long rail journey (at night especially), through unfamiliar country, to whiz by station after station unable to see or read the names of the places passed through, and therefore to be unable to orient myself. Station signs should be so placed on *both* sides of the right of way as to be easily spotted and read, and there should be enough of them. They should be illuminated at night, at least by interconnection with the track signal system, so that they will be lighted when a train enters, stands in, or passes through the station zone. The more important stations should carry their names in luminous tubes in distinctive colors.

SAFETY glass should be in universal use, not so much as a protection in cases of collision or derailment, but to protect passengers from the missiles with which juvenile delinquents in the metropolitan centers bombard trains. In the New York area alone such attacks occur nearly three hundred times a year. Arrests do no good in these cases as the disposition of magistrates seems often to be to discharge the culprits and to censure the police for the sake of political popularity! As more than half of these assaults occur where trains pass through Italian sections, this situation alone should compel a special sociological study. The railroads might learn something about the nature of the hostility against them, and profit by the knowledge gained.

All trains should carry "janitors" whose duty it would be to maintain the cars, and their toilets especially, in a state of relative spotlessness throughout each trip. The effectiveness of the idea may be judged from its operation in other fields. For example, the littering of Central Park in New York seems to have fallen off tremendously since the sweeping and cleaning-up operations have been made an obvious, all-day process. The

PUBLIC UTILITIES FORTNIGHTLY

menagerie area, formerly a "sight," is today almost painfully clean. Somehow, the idea sinks in, and even the most untidy people seem to hesitate to defile a place which is being cleaned under their very noses.

I would commend to the Long Island Rail Road in particular that it put porters aboard all trains on the Rockaway Beach, Far Rockaway, and Long Beach divisions to run up with the mop every time someone spits on the floor. I have gone through car after car on those lines, looking in vain for three seats in a row under none of which there would be large pools of rheum and sputum. I will wager that three weeks of this sort of thing every few months will bring this disgusting business almost to the vanishing point in good time. Admittedly, it is a difficult problem in the New York area where almost anything may be expected in filthiness. To see a passenger casually clear his throat and spit straight across a car in a Jamaica elevated train is nothing uncommon. Pools of vomit may be seen on almost any elevated or subway station and in all corners of rapid (?) transit cars, sooner or later. The south-bound shelter at Brooklyn Manor

is only one of many such structures to be used as a latrine almost nightly; occasionally, by the evidences remaining, as a "maison de plaisir." In all cases, the first reaction of the railroads' patrons is to *blame the railroad*. Self-interest should compel the railroads to make the cleanliness of *all* their facilities a by-word.

I MIGHT add, parenthetically, that the Long Island Rail Road should construct its mops, for use as cited above, with instantly detachable handles: it may be necessary, on occasion, to—in police parlance—"feed the stick" to a "sensitive" spitter. (Some of the Interborough Rapid Transit Company's Irish guards would relish the job!!!!)

Apart from these discursions, what must one think of a railroad which puts attractive, air-conditioned de luxe coaches into service, when, in reply to an inquiry by a passenger in an ordinary coach, "What sort of car is that odd-looking one behind us?" the conductor answers, "That's one of them new hot-air cars," and walks off, chuckling?

—A. J. FRANCK,
Far Rockaway, N. Y.



Thumb-nail Essay on the Forgotten Utility Taxpayer

ONCE in a while utility customers are reminded in an effective way that they are the real objects of taxation which the politicians pretend to aim at public utilities.

Take a case from California.

During a rate hearing before the commission county representatives of the people got busy and boosted annual taxes "against a utility company" by approximately \$6,000.

The commission pointed out that had it not been for the vigilance of the legislators in imposing this tax the annual sum of \$6,000 taken for taxes would have been available to the company's customers in rate reductions.

Taxes against utility companies are paid

by the company's customers if there is business enough to warrant it. The company merely collects the taxes for the government.

The companies do not like oppressive taxes (although paid by the customers) because taxes increase utility rates for which the companies and not the politicians get the blame.

The companies also object to such taxes because increases in rates, which the taxes make necessary, tend to restrict business.

The utility customer is the forgotten man in utility taxation.

The customer, however, apparently doesn't know it. So the customer applauds the politician who exploits him.

Financial News and Comment

By OWEN ELY



Utilities Harassed by Multitude of Investigations

LEGAL and accounting staffs of the utility companies are doubtless doing much overtime work and incurring much needless expense, owing to the orgy of inquiries by Federal and state authorities. The Federal Trade Commission is still transmitting to the Senate its monthly "progress reports" on the investigation of power and gas utilities in accordance with Senate Resolutions of 1928 and 1934. The SEC is attempting to speed registration of holding companies under the new act, which is involved in litigation. The Federal Power Commission has threatened action against Niagara Hudson Power Co. for alleged transgression of Title II of the act. The Federal Communications Commission has begun its activities. The New York state legislative investigations are still under way and the mayor of New York city is actively antagonizing the utilities. A questionnaire has been sent by Chairman Black of the Senate Lobby Committee (listing 35 comprehensive questions) to several thousand utility companies. Senator Black complains that a questionnaire sent out in August has not been answered satisfactorily by a single company and that the committee's ten investigators have been denied access to certain data in utility offices. On the other hand, it is said that much of the information which he demands could easily be obtained from information already in government files.

Is it any wonder that the utilities have been a little slow to plan for an expansion program, under these conditions?

Power Output Up Sharply; Earnings Gain Irregularly

ELECTRIC output has recently advanced to a new high record as shown graphically in a chart published in the *New York Journal of Commerce*. According to returns for the week ended October 19th as published by *The Wall Street Journal*, leading systems showed the following gains in output over the corresponding week last year (only one company, National Power & Light showing a decline):

American Power & Light	20.6%
American Water Works	25.2
Associated Gas & El.	9.8
Commonwealth & South.	14.5
Consolidated Gas of N. Y.	4.1
Consolidated Gas of Baltimore	10.9
Detroit Edison	38.1
Electric Power & Lt.	12.4
National Power & Lt.	dec. 9.7
New England Power	14.8
Niagara Hudson Pwr.	12.7
North American Co.	15.4
Northern States Pwr.	3.8
Pacific Gas & Elec.	10.1
Public Service Corp. of N. J.	10.8
Southern Cal. Edison	16.5
Standard Gas & Elec.	11.7
United Gas Impr.	12.2
United Light & Power	8.3
United States total	11.7

As previously remarked in this department, the practice of leading utility companies of issuing interim re-

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ports for varying periods (one month, three months, nine months, twelve months) makes compilation of an earnings index for the industry a difficult matter. Recently two observers reached somewhat opposite results. D. W. Ellsworth, editor of *The Annalist*, in an article "No Benefit to Investors or Workers from New High Record in Power Output" (*The Annalist*, October 18th) presented a chart showing an index of eight companies' earnings by quarters from 1927 to the second quarter of 1935 (each quarter being seasonally adjusted) which seemed to indicate that results for the second quarter were down moderately following sharp gains in the previous two quarters. On the other hand, another study based on a compilation of earnings for ten companies for the first nine months of 1935, indicated an average gain in net income of 11.5 per cent, and this authority anticipated gains of 30-40 per cent for the last quarter, making an average of about 18 per cent for the year 1935. Following are some recent earnings statements of leading companies compiled from press reports (figures are per share of common stock except where otherwise indicated):

WESTERN Union Telegraph has shown an extraordinary recovery in earnings, practically all of its improvement in gross being carried through to net. While final figures for the quarter had not been released at this writing, Dow Jones estimates about \$1.40 earned per share for the quarter against 35 cents last year, and for nine months about \$3.20 a share, a gain of 100 per cent over last year. Omission of dividend payments has enabled the company to rebuild its working capital, and dividend resumption is now seen a possibility. The stock has recently been a "market feature."

Dividend Changes

NATIONAL Power & Light, presumably because of its steady decline in earnings since 1929, has cut its quarterly dividend from 20 cents to 15 cents.

On the other hand, American Power & Light Co. (whose remarkable gain in earnings was indicated below) has restored payments on its preferred stock after a lapse of seven months. Payments have been declared at the rate of 75 cents on the \$6 preferred and

	Period	1935	1934	% Gain
Southern Cal. Edison	3 mos. to Sept. 30	\$.76	\$.47	62%
	9 " " " "	1.19	.79	50
Commonwealth & South. (preferred)	Month of September			58
	9 mos. to Sept. 30	4.15	3.45	20
Public Service Corp. of N. J.	Month of September			0.2
	12 mos. to Sept. 30	2.63	2.77	5 ¹
Pacific Lighting	12 " " " "	4.05	2.37	70
L. I. Lighting Co. net income	9 " " " "			10
Commonwealth Edison net income	Month of September			11 ¹
	9 mos. to Sept. 30			1
American Light & Traction	12 mos. to Sept. 30	1.01	1.39	27 ¹
Edison Elec. Ill. of Boston	12 " " " "	9.73	9.60	1
American Power & Lt. (preferred)	12 " " Aug. 31	3.72	1.78	109
Detroit Edison	12 " " Sept. 30	6.03 ²	5.48	10
National Power & Light	12 " " Aug. 31	.81	.94	14 ¹
Consolidated Gas	12 " " Sept. 30	2.07 ³	2.29 ³	10 ¹
	3 " " " "	.04	.06	33 ¹
Brooklyn Union Gas	9 " " " "	2.65 ³	3.19 ³	17 ¹

¹ Decrease.

² Before \$1,400,000 extra depreciation reserve (equivalent to about \$1.10 per share).

³ Subject to revision depending on adjustment of rate reserves, etc.

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62½ cents on the \$5 preferred, which payments, "together with those already made this year, represent a continuance to date of dividend payments since April 1, 1933, at the rate of one quarter of a full dividend."

Columbia Gas has declared a 20-cent dividend on the common stock.

Brooklyn Union Gas Co. has reduced its annual dividend rate from \$5 to \$3 due to higher costs and decreasing consumption, which can be corrected only by promotional activity requiring the cooperation of public authorities, it was stated.

Bell System Earnings Show Moderate Improvement

AMERICAN Telephone and Telegraph Co. in the third quarter earned \$1.69 a share against \$1.51 in the same quarter last year. For nine months \$4.85 was reported, against \$4.83 last year. On a consolidated Bell System basis, \$4.28 for the first eight months was earned on A. T. & T. stock, compared with \$3.85 in the first eight months last year. Revenues gained 5.1 per cent while expenses and depreciation increased 6.9 per cent, and taxes 4.2 per cent. "Other earnings" increased and interest deductions declined, which partially accounts for the gain in share earnings. Also, 1934 figures were adjusted because of changes in the Illinois Bell Telephone Company accounts (due to readjustments ordered by the U. S. District Court in the coin box rate case) this resulting in a downward readjustment in last year's A. T. & T. earnings amounting to 18 cents.

About two thirds of the 24 Bell operating companies are now fully covering their dividends, and aggregate earnings for the entire number are sufficient to cover the total dividend disbursements. In 1932 the group failed to earn dividend disbursements by some \$22,000,000; and while dividends were cut beginning in 1933, the group still fell short over \$23,000,000 of covering disbursements. Last year this deficit

was reduced to a relatively small amount and now for the group as a whole dividends are being covered. Dividend adjustments during the depression were mainly among the smaller companies, New York Telephone Co. and the majority of other large units maintaining their predepression rates. Western Electric, whose deficits have been absorbed in American Telephone and Telegraph Company's earnings reports, is making good progress out of the red, although whether this can be fully accomplished this year remains doubtful.

Long-distance and toll calls thus far this year have gained about 3½ per cent over last year. Stations this year are expected to show a gain of about 400,000 or about one third more than last year, although the 13,674,000 stations on September 30th compare with the peak of over 15,000,000 in May, 1930.

Utility Stocks Resume Upward Trend

WHILE utility stocks remained irregular during the two months ending October 15th, they then resumed an upward trend and according to the Dow Jones average as of October 25th had almost recovered to the high point registered in August. They have not, it is true, behaved as well as the industrial group, which recently advanced to new high levels, but on the other hand have done much better than the railroad stock index, which has succeeded in regaining only about half the ground lost in September and early October.

Columbia Gas has been a recent leader in the group marketwise, and North American has also regained much of its former popularity.

At the moment the general outlook seems excellent for a further gain in utility issues, due to favorable earnings and output figures, hopes of an early decision in the Baltimore test of constitutionality of the Utilities Act, the favorable long-term operating outlook

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due to increasing residential building and power consumption, etc. However, the stock market as a whole, has enjoyed an advance for about seven months with little interruption, so that some irregularity over the next few weeks would not be surprising.

New York Municipal Referendum Blocked; Tax Issue Raised

JUSTICE Dore of the New York Supreme Court on September 29th rendered a decision against the New York city municipal power plant referendum, restraining city officials from spending municipal funds for a vote. The decision was later twice sustained by higher courts on appeal by the city. It now appears that the project must await new state legislation.

Apparently nettled by his difficulties with the referendum, the mayor has recently launched a new attack on the New York city utilities. He contends that the companies are under-assessed for tax purposes by about \$150,000,000, and that they have been keeping two sets of books, one for rate making and one for tax purposes.

At about the same time as the mayor's statement, Consolidated Gas Co., through a subsidiary, started legal action to upset the validity of the city's utility tax law. If successful, loss of these revenues from all local utilities may cost the city some \$24,000,000 and throw the new budget out of balance. Application was made for a peremptory writ of mandamus, returnable November 1st, seeking to deduct from the old franchise tax the amounts levied on gross revenues since 1933. Action was brought under § 48 of the state tax law, which according to the company's contention limits the city's taxing power against utilities to franchise and realty taxes. The city has collected about \$10,000,000 under the original 1½ per cent tax over a 16-month period and about \$13,500,000 under the 3 per cent tax law in nine months of this year.

Construction of New Plants

THE recent prospectus of the Virginia Electric & Power bonds indicated that \$2,000,000 of the \$37,500,000 is to be devoted to a new plant at Richmond. Ohio Public Service Co. also plans to build an electric power plant costing \$2,000,000 to \$3,000,000 at Warren, Ohio.

According to press reports, inquiries are now being received by manufacturers of central-station equipment for the first time in months. In one state it is said the electric companies are working jointly on a plan to extend their lines over the entire state at a rate of 60 miles per week.

However, considering the fact that electric sales are at a new high record, exceeding 1929, with excellent prospects for further growth next year, there has been a feeling in some quarters that the industry may find itself "in a jam" if it waits too long in installing additional generating capacity. The Federal Power Commission, in its first report of the National Power Survey indicated that some \$300,000,000 capital expenditures are "imperative." Commenting on this, D. W. Ellsworth, editor of *The Annalist*, remarks—"Assuming that the government experts know more about the power requirements of the nation than the private engineers who have devoted their lives to the building of the most efficient power system in the world (with never any record of failure to provide adequately for future expansion), the question still remains why the government's attitude is one admirably suited to the purpose of preventing private enterprise from accomplishing the desired objectives."

Utilities Await Baltimore Decision

WITH December 1st as the deadline for temporary registration with the SEC and with the rule regarding interlocking directorates effective October 25th, many utility companies have

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delayed decisions whether to file acceptances with reservations, or to risk fines and penalties pending a decision at Baltimore regarding constitutionality of the Utility Act.

The first company in New York state to register as a holding company was the Orange and Rockland Electric Company of Monroe, on October 28th.

The SEC announced October 25th that hearings on applications by two companies for exemption under the holding company act would begin November 4th-5th (Irving Trust Co. as trustee of National Electric Power Co. *et al.*, and Connecticut Power Co.). Kansas City Public Service Co. and a subsidiary have also filed applications for exemption.

Philip H. Gadsden, chairman of the Committee of Public Utilities Executives, has announced that it would open headquarters in Washington about November 1st and that if the act were declared constitutional "we must redouble our efforts to obtain amendments to the act which will make it regulatory and not destructive." In the meantime, he stated, full coöperation with the SEC would be sought in the preparation of rules and regulations.

Latest reports indicate that about 700 applications have been received by the SEC from individuals for permission to serve on boards or as officers of more than one utility organization, with additional hundreds in the mails. The number of "absentees," if any, cannot be indicated without a final check.

In the Baltimore case the government October 24th submitted a brief charging "collusive coöperation" between persons interested in the case. It was contended that there was no real controversy, and that a decision would not determine constitutionality. The brief asserted that none of the parties had a "substantial and vital interest" in helping the government defend the act and contended that a fair test was impossible, stating "The inference is inescapable that the interest

of Burco, Inc., in supporting the act is negligible compared with its interests in coöperating in the arrangement of a test case suitable to the Edison Electric Institute."

The government asserted that it did not wish to "hinder or delay the raising of any constitutional issue necessarily affecting directly and immediately the rights of any party litigant in any legitimate case or controversy which is concretely before this or any other court," but that in this case it "seems clear to the government that no case or controversy is being presented to the court in this proceeding."

In the second part of its brief, submitted October 25th, the government indicated its willingness to discuss the constitutionality of the act as a matter of "courtesy." It was held that the act aimed only at holding companies using interstate commerce channels for important and essential corporate purposes, to protect the states through preventing the mails and other channels under Federal control from being used for fraud and oppression, under the "police" powers of Congress to guard the public interest as well as its powers to regulate commerce and to establish post offices and post roads. It was denied that the act is in violation of the "due process clause," and it was held that the right of Congress to delegate its powers to a permanent administrative commission (independent of the executive branch of the government) has been fully established; further, that the courts "do not anticipate improper and invalid action in administration" before the commission has had the opportunity to exercise the powers delegated to it.

The government cited lists of opinions to substantiate its contention that Congress has power to carry out the four principal objects of the bill which are related to: (a) the purchase and sale of securities; (b) the acquisition of securities and utility assets; (c) intra-system transactions; (d) the corporate powers and set-up of holding companies.

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Recent Corporate Changes

CITIES Service Co. has announced the redemption of 1,000,000 shares 5 per cent noncumulative stock at the purchase price of \$1 a share. This stock had been sold to Henry L. Doherty & Co. in April, 1929, and its redemption will reduce the voting interest owned by Doherty & Co. (directly and through subsidiaries) and by officers and directors of Cities Service Co. from 30 per cent to 7.5 per cent. The transaction was apparently due to a desire to change the status of Cities Service Co. from a subholding company to the major holding company of the system (in place of Doherty & Co.). In this connection Doherty & Co. on October 1st had transferred to Cities Service Co. its fiscal agency relationship with that company and its subsidiaries.

It has been intimated that Mr. Doherty may personally acquire the stock given up by Doherty & Co., of which he is the sole proprietor. Regardless of such acquisition, however, Mr. Doherty remains the largest stockholder, controlling together with associated management interests $7\frac{1}{2}$ per cent of the total votes, compared with 30 per cent before the recent change.

The program of readjustments undertaken by the Associated Gas & Electric Co. to simplify its corporate relationships continues to make rapid progress. The Mohawk Valley Co., the Rochester Central Power Corporation, and the Metropolitan Edison Corporation, three of the subholding units, have now been consolidated, bringing under one control important operating properties. The new corporation, to be called NY PA NJ Utilities Co., will control New York State Electric & Gas Corp., Rochester Gas & Electric Corp., Metropolitan Edison Co., New Jersey Power & Light Co., Staten Island Edison Corp., Northern Pennsylvania Power Co., Empire Gas & Electric Co., New York Central Electric Corp., Elmira Light, Heat & Power Corp., Long Island Water Corp., and the Patchogue Electric Light Co.

EIGHT corporations in the United Founders group are to be consolidated in order to simplify the Equity Corp.-United Founders system structure. A new company, American General Corporation, with assets of \$48,000,000, will issue common and several kinds of preferred stock to exchange for the stock of the eight merging companies. The consolidation agreement provides that United Founders may distribute to its own shareholders its holdings in U. S. Electric Power Corporation, thus avoiding the possibility that the new company might be regarded as a public utility holding company. Equity Corporation has waived its rights to receive any shares of U. S. Electric, presumably also to avoid being classed as a utility holding company. This is perhaps not very much of a sacrifice, since the common stock is quoted around 3/16 and the Standard Gas & Electric system (controlled by U. S. Electric) has applied for reorganization under § 77B.

Schoellkopf, Hutton & Pomeroy, Inc., of Buffalo, an investment banking firm, is seeking an independent status from Niagara Share Corporation, presumably because of the Utility Act.

Recent Financing

RECENT offerings of utility securities included the following:

\$45,000,000 Illinois Bell Telephone Co. 1st and refunding mortgage 3½s, series B, due 1970 at 102½, offered by a syndicate headed by Morgan Stanley & Co. Inc.

\$37,500,000 Virginia Electric & Power first and refunding mortgage 4s due 1955, at 101½, offered by a syndicate headed by Stone & Webster and Blodgett, Inc.

\$5,200,000 Pennsylvania Telephone Corp. first 4s due 1965, at 101, offered by a syndicate headed by Bonbright & Co. Inc.

13,000 Shares of Atlanta Gas Light Co. 6 per cent preferred stock, were offered at \$93.50 per share by Hammons & Co.

What Others Think

The Struggle for Uniform Utility Rate Structures

THE Federal Power Commission's electric rate survey has revealed a great many things about electric rates that weren't known. And when the "analysts" and "interpreters" representing various shades of opinion on utility matters get through with their microscope and adding machine exercises, there probably will be many more strange things revealed—some of them quite conflicting. But there is one thing that the survey did show indisputably—that is, the lack of uniformity in electric utility rates charged throughout the country.

However creditable the performance of the Federal Power Commission has been so far in presenting for the first time a comprehensive, accurate, and fairly simple survey of the national rate picture, the need for more uniform electric rates was recognized in the electric industry itself, sometime before the Federal Power Commission took over the job. As early as 1930, Paul M. Downing, then vice president of the Pacific Gas & Electric Company, insisted that the increase in the local variation of electric rates was matched only by the increase in their complexity.

More recently, Edgar Dow Gilman, director of public utilities for the city of Cincinnati (the same enterprising official who, to some extent, "scooped" the Federal Power Commission on its own rate survey by publishing one by the city of Cincinnati earlier this year) made some very pointed remarks at the recent convention of the Public Works Congress on the need for standardizing rate practice.

He said, in part:

We know that there are brilliant minds in utility service. We know that these

minds have gotten together on matters affecting the accounting, purchasing, advertising, commercial, and engineering departments. By joint discussion and coordinating of experiences, the practices in these departments have been improved. The best has survived, the inferior has been eliminated. It has been found that like methods in these departments produce like results, benefiting all companies and all consumers. There appears to be an absence of any such agreement upon underlying principles of the form of rate structures. Do utility companies discuss these principles in joint meetings as thoroughly, frankly, and openly as they discuss other technical problems affecting operating departments?

MR. Gilman is not, by any means, one of those comparative rate fans who believes that the cost of power in Tacoma is either a yardstick or a presumption with respect to rates charged in New York city. On the contrary, Mr. Gilman frankly admits that "it is not anticipated that costs in different cities should be the same." He admits that there is "justification for different costs and different revenues to which companies in different locations are entitled." But what Mr. Gilman cannot seem to understand is why, assuming the need of the company in Bloomsville to make \$3 for the same amount of current sold in Jonesville for \$1.50, the respective companies have to bill their customers under such different standards. Mr. Gilman has no particular preference for any one form. He just wants the industry to make up its mind. He points out that "nearly any one of the many forms in use is broad enough to produce the range of revenue required for different sections by varieties of prices and steps within that form."

Some rate engineers who worship "scientific rate formulæ" will think at

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this point that perhaps Mr. Gilman means well but is—shall we say unembarrassed by the facts? If so, let no scientific rate enthusiast be deluded. Mr. Gilman has “the goods” on entirely too much actual rate making to be dismissed as one who doesn’t know what he is talking about. Here’s a sample of his storehouse of data:

If a service charge is the best form in Cleveland, why is it not in Cincinnati?

If the flat service charge is more equitable and promotional in San Francisco, why is a room variable service charge used in Salt Lake City?

If Waterbury, Conn., has a service charge based on area, why should El Paso have a service charge based on rooms and Detroit have no service charge at all?

If a room rate structure is desirable in Chicago, why should an area variable be used in Boston and a flat rate structure in New York?

Why should Washington, D. C., have a rate form of flat steps, Pittsburgh one of room variable steps, Boston one of area variable steps, and Detroit one in which both flat and room variable steps are mixed?

If all the rooms in a house in Cincinnati are counted, why are bedrooms not counted in Milwaukee?

Why should Cincinnati specify a minimum of four rooms per residence, Minneapolis a minimum of two, and Dallas, Tex., a minimum of five in room rate structures? In which is the equity to citizens and company best served?

Why should Syracuse, N. Y., have two flat rates, one applicable to residences of three rooms or less and the other to residences of over three rooms, and Rochester, N. Y., have one flat rate applicable to all size residences?

If Baltimore has a flat rate form, why should Pittsburgh have a connected load variable?

If Louisville, Ky., has a flat rate form of only two steps, why should Evansville, Ind., have a flat rate structure of nine steps?

If a customer in New York city can buy electricity over 15 kilowatt hours per month at the lowest rate in the schedule, why should a customer in Tampa, Fla., not reach the last and lowest step until he has used 5,400 kilowatt hours in one month? This question is not concerned with what the price in the last step of either city may be.

DOES this mean that Mr. Gilman has any pet rate theory of his own that he wants to advance? Or does he favor one of the existing rate forms over others? Not at all. Mr. Gilman

is not convinced that we will get down to a nation-wide single rate practice for electric service—not at least in the near future. But, even granting the necessity for more than one rate form, he does question the necessity for so many. As Mark Twain once remarked, “I never was superstitious, but I always did hate to sleep thirteen in a bed.”

As indicated above, rate engineers within the utility industry are not oblivious to this difficulty in rate fabrication, but their reaction is not always towards narrower standardization. Allan W. Lundstrom, for example, thinks that the public might be better satisfied with more options in rates, thereby making more available rate forms rather than less. Although he writes in *Gas Age-Record*, Mr. Lundstrom addresses his remarks to both electric and gas rates. Here are the faults he finds with utility rate practice:

We are selling an intangible product which the customer never sees and is perhaps never conscious of having received. We also may have been a little inconsistent in our story to customers since we have talked a great deal about selling them service, while at the same time have based all our charges on our commodity.

We have charged for our service in a manner so complicated that 90 per cent of our customers do not know how their bills are figured and would not be able to figure the charges themselves.

We have had relatively constant prices for our service regardless of periods of prosperity or depression, unlike any other service or product which our customers use.

We have sold our product in large units, whereas our electric brothers have used small units and we have at times measured in one unit and sold in another.

We have received a great deal of unfavorable publicity as a result of the financial practices of a relatively few individuals in our industry.

We may have been too lax in the choice of the personalities of our meter readers, service men, and cashiers, who as far as the customers are concerned, are the company.

It is quite possible that certain changes in our rate structure would contribute to better acceptance of our service by the public. If the above causes be true, the following changes in rate structure seem logical:

1. Let us have more optional rates which the customer may himself choose.
2. Let us more closely correlate the

WHAT OTHERS THINK



Washington Post

"DON'T SEND MY BOYS TO PRISON!"

charges we make with the appliances which our customers use and are conscious of using.

3. If it is necessary to bring in the commodity element in our charges at all, let us sell in smaller units corresponding more closely to the kilowatt hour and take advantage of some of the favorable publicity recently given to low electric rates per kilowatt hour.

4. Let us simplify our charges so that

most of our customers can figure out their own bills.

5. Let us vary our charges from time to time in proportion to the price of either our own raw materials or to the price of our most competitive fuel.

MR. Lundstrom makes interesting suggestions to take care of all the objections he raises above. There is

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room here for only one—that having to do with utility rate policies during the depression. He states:

Probably the most feasible method of decreasing our rates during times of depression and increasing them during periods of good times is to incorporate in our rate schedules a fuel clause which would provide for an adjustment to be made perhaps once each year for the year following. Where it is possible to do so this adjustment should be based upon the delivered price of our most competitive fuel for household heating purposes. If this is not possible, due to the attitude of regulatory authorities, at least those companies who manufacture gas may vary their rates depending upon the cost of raw materials for gas manufacturing purposes. Such a scheme might react favorably on the public and would undoubtedly be much more economically sound than a fixed set of rates. It will go a long way toward holding our load in periods of depressed prices.

In its recent convention, the American Gas Association had before it the report of its committee on rate structures, which pointed out that change in economic conditions isn't making the path toward standardizing rate practice any easier. The report, sponsored by the committee's chairman, H. H. Agee of the Public Service Company of New Jersey, stated "the report observes that there is a danger of oversimplification in rate forms at the expense of flexibility." It states at this point:

It is well recognized that simplicity is an important factor in rate making, but flexibility and adaptability to varying costs and changing economic conditions are of greater importance. The desire for simplicity should not prevent the adoption of rates designed to meet the needs of various classes of customers having different and distinct characteristics. Such a rate structure affords management an opportunity

to readily adjust the rate for any particular class of service without affecting other classes. Where simplicity and not flexibility has governed the design of the rate structure, the whole rate structure may be upset in attempting to meet conditions applying to any one particular class of customers. The value of the service to the customer is as important a factor in rate making as the cost to the company. Rates should be offered that fit the needs of business for business cannot, except in a limited way, fit its operations to a rate.

At this particular time, the problem of standardized utility rates seems almost comparable to the Herculean task of subduing the many-headed Hydra. As soon as one form is ruled out, a new one is introduced to take its place—sometimes necessarily so. Five years ago, the one-part, two-part, and three-part rates were the subject of controversy and even litigation. Today, although the former argument is not yet entirely settled, more modern rate innovations are knocking at the door; to wit: Objective Rates (a la Commonwealth & Southern), the Washington Plan, the Detroit Plan, the Free Surplus Consumption System—and let us not forget some original kinks contributed by the TVA.

—E. S. B.

RATES! RATES! RATES! Address by Edgar Dow Gilman, before joint meeting of American Society of Municipal Engineers and the International Association of Public Works Officials. Cincinnati, Ohio, October 14, 1935.

THE ENGINEER LOOKS AT RATES. By Allan W. Lundstrom. *Gas Age-Record*. October 12, 1935.

REPORT of Rate Structure Committee before the American Gas Association convention. Chicago, Illinois, October 14-18, 1935.

Transit Men Hear of Business Gains

PASSENGER transportation has been sharing in the business revival, the American Transit Association was told September 23rd in the Hotel Ambassador, Atlantic City, N. J., at the opening of its fifty-fourth annual conven-

tion. Solemn warning was given, however, that within the next few years 75 per cent of the transit industry's rolling stock will be obsolete unless the industry invests "at least \$470,000,000" in replacing out-moded equipment.

WHAT OTHERS THINK

Criticism was leveled at official rate-regulating commissions for allegedly basing fares only on physical depreciation and preventing the accumulation of enough reserve profit to replace equipment with modern styles.

Malcolm Muir, president of the McGraw-Hill Publishing Company, New York, asserted that "worn-out, obsolete, rusty equipment is one of the major problems of industry as it emerges from the depression." He said:

No profits, depleted surplus, and closed capital markets all are to blame. In power transmission and generation, half the equipment is obsolete, causing a waste of power estimated at three quarters of a billion dollars a year.

This situation calls for the development of an entirely new philosophy with respect to obsolescence in the transit industry, among commissions, operating managements, and manufacturers. In the case of the commission, it is the essence of folly to impose conditions on community transportation that make it impossible to build up sufficient reserves or charge off sufficient depreciation to meet changing conditions. In this day and age, every business and every industry must keep pace with the evolution of things or it cannot survive.

Mr. Muir declared that "47,000 street cars and busses out of a total of 62,000 will have passed the age limit of economic usefulness within the next five years."

"Of the 45,000 street cars in the United States today," he said, "22,000 are known to be twenty years old or older. Another 15,000 are known to be from fifteen to twenty years old. Of the 17,500 motor busses in city service, 10,000 are five or more years old."

FRANK R. Phillips, president of the Pittsburgh Railways Company and retiring president of the Transit Association, reported that "the transit industry shared in the general business improvement in 1934 with a gain of 6 per cent." He said:

Over-all net operating income from street railway operations represented a return of 2.2 per cent on the investment of \$4,000,000,000. The motor bus lines earned 2.4 per cent on their investment. Of the total \$850,000,000 operating revenue in 1934,

about \$539,000,000, or 63.5 per cent, was from railway operations. Of the 9,885,000,000 revenue-paying passengers carried, 7,700,000,000, or 78 per cent, were carried by rail.

Compared with the \$4,000,000,000 investment in electric railway plant and equipment, that in bus plant and equipment is \$362,000,000, or less than 9 per cent of the transit industry's total investment.

Bus operators, admitted to the association as a new special division, analyzed Mr. Phillips's figures from the standpoint of the "rapidly improving competition" mentioned by Mr. Muir. They said that on the basis of Mr. Phillips's report, bus transportation had 9 per cent of the investment, carried 22 per cent of the passengers, and apparently took in one third of the total operating revenue.

Mr. Phillips concluded by praising the Federal Motor Carrier Act, which brings under regulation of the Interstate Commerce Commission all motor carriers of passengers or merchandise between the states.

MR. Edward Dana, general manager of the Boston Elevated Railway, who succeeded Mr. Phillips as president of the association, stated that while transit operating experience shows where progress is needed, it is the manufacturer who has the lion's share of developing structure and equipment. He added that when the mutual interests of public manufacturer and operator are recognized as one and the same, and operation is based upon this, it will be a long step forward.

An interesting discussion of traffic problems was made before the convention by Dr. Miller McClintock, director of the Harvard Bureau of Street Traffic Research, who believes that city co-operation in the solution of street traffic problems under expert guidance of technicians, especially trained by transit operators in our great cities, will mean the savings of many millions of dollars of the taxpayers' money. Dr. McClintock said:

There is not a single piece of business or residence property in the United States the value of which is not predicated, to

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some degree, upon the modern tempo of traffic flow.

Regarding "competition" between mass transportation vehicles and private automobiles, Dr. McClintock declared that "the basic interests of the transportation industry and the motor vehicle user in efficient traffic movement are absolutely identical." He added:

It is very unfortunate for the future of the country that, during the past few years when so many millions of dollars have been poured into public works, little or no attention has been paid to the basic planning problems of American cities. Replanning of traffic facilities is inevitable if the traffic problem is ever to be adequately solved.

ANOTHER interesting speaker at the transit convention was C. F. Hirshfeld, of Detroit, chief engineer of the Electric Railway Presidents' Conference Committee, who designed the new "Million Dollar Car," which is being offered electric railway companies throughout the country. The transit industry, Mr. Hirshfeld stated, must decide between standardization with minimum prices and differentiation with its accompanying maximum prices. It must also decide, he said, how best to meet the condition which operators will face when partial use of the new car "forces upon your public a still greater appreciation of the shortcomings of existing equipment." Declaring it inconceivable that operators should be able to junk suddenly any large part of existing equipment, Mr. Hirshfeld said that it was equally inconceivable that operators can continue to use it and still maintain satisfactory public relations. The answer, he pointed out, is to be found in modernization of the better part of old equipment. This means installation of new types of motors as well as the use of the new devices made especially for the elimination of objectionable noises.

Fifty-five per cent, or about \$2,225,000,000, of the transit industry's capital investment of \$4,000,000,000 is account-

ed for in track structures; 25 per cent in rolling stock and 20 per cent in the industry's conversion and distribution system, H. L. Andrews, of New York, vice president of the General Electric Company, said in his address before the general session of the convention September 24th. "Our rolling stock, the machine tool producing our product—transportation—is so out of date that it does not meet the requirements of the public." This, he declared, as in any other business accounts for the falling off of sales and causes customers to turn to competitors who supply a product better suited to their needs. He added:

We can meet our competition and regain our lost sales when we supply our public with a transportation product of the highest speed consistent with safety, the greatest comfort, and all this at the lowest cost. I believe that where traffic has declined to the point where we no longer can furnish the public with an acceptable transportation product and provide a fair return on the capital invested in rail operation, the modern electric coach is the best and most economical tool for the industry.

In general the American Transit Association convention resembled anything but the wailing wall that has characterized meetings of transportation groups during the depression years. A distinct spirit of confidence has invaded the industry.

—E. S. B.

ADDRESS by Malcolm Muir before 54th annual convention of the American Transit Association. Atlantic City, New Jersey. September 23, 1935.

ADDRESS by Frank R. Phillips before 54th annual convention of the American Transit Association. Atlantic City, New Jersey. September 23, 1935.

ADDRESS by Dr. Miller McClintock before 54th annual convention of the American Transit Association. Atlantic City, New Jersey. September 24, 1935.

ADDRESS by H. L. Andrews before 54th annual convention of the American Transit Association. Atlantic City, New Jersey. September 24, 1935.

WHAT OTHERS THINK

Is Utility Advertising Proper?

MR. Floyd W. Parsons, editorial director of the *Gas Age-Record*, whose interesting letters are among the most valuable features of that esteemed publication, has long been an ardent advocate of aggressive sales promotion, including advertising, by gas utilities. Furthermore, he thinks that these utilities should plan their advertising along national lines, as well as strictly local promotion. He recently stated:

Local managements must acquire a national viewpoint and quit assuming that they have no responsibility beyond the boundaries of their own communities. One reason the utilities have been in so much trouble lately is because they felt there was no need to give time and thought to the national situation.

We have learned as never before that a product which is regarded with high favor by a great majority of our people can be sold much more easily in any single city than a product that is generally unpopular.

National campaigns are now vital to progress. Any gas company that achieves unusual results should regard it as a duty to the industry to make these exceptional achievements widely known, so that other companies may go and do likewise, and the public may be taught the advantages of gas.

The progress of the gas business has been greatly retarded by the lack of united action and the prevalence of a purely local point of view. Gas has hidden its light under a bushel too long. Its advantages have been too little heralded.

IN the same *Gas Age-Record*, we find an interesting account of a specific application of editor Parsons' advice by utilities operating in the Pittsburgh area. R. S. McCarty, advertising manager of the Philadelphia Company and affiliated companies, is strongly in favor of radio as a medium for utility advertising, and his account of the results obtained by his company would appear to justify that point of view. He stated:

The number of listeners on our programs ranks high when compared with the listeners on network programs in Pittsburgh. In the following table, figures are shown for several nationally known radio programs indicating the total number of sets tuned in Allegheny county to the various programs. These statistics were combined from a number of surveys and are estimated

to be within 10 per cent of the correct figure. It will be noted that the Philadelphia Company programs have a relatively high ranking among radio programs and we feel that our audience has reached a very satisfactory level.

Radio Sets Tuned in on Programs in Allegheny County

<i>Program</i>	<i>County</i>
Chase and Sanborn	87,500
Amos 'n Andy	86,200
Philadelphia Company (Pittsburgh Varieties)	58,600
Duquesne Light Company (Lois Miller, organist)	64,000
Goldbergs	58,400
Lowell Thomas	47,200
Myrt & Marge	22,000
Boake Carter	16,600

Our radio advertising, however, does not comprise our entire advertising program; an extensive institutional campaign is now being run in all local newspapers; but in addition to the interest and results the radio programs obtain for themselves, they serve to create attention for the other forms of advertising which we are now carrying on.

HOWEVER, there is always a chance of arousing criticism when a utility engages in radio broadcasting, or any other kind of advertising, for that matter. This is especially true in localities where public ownership agitation is acute or where public ownership referendum campaigns are under way. It does not appear that anyone has ever questioned the propriety of radio addresses which advocate public ownership of utilities, whether on local stations or on chain hookups. Public ownership disciples, however, are not likely to relish the use of the air by the utilities for presenting their own case. An example of this was seen in the recent action of acting Mayor Bernard S. Deutsch, of New York city, in assailing the local electric utility for its contemplated program of Sunday radio concerts to create "good will" among consumers. The company's action came at a time when the referendum on a municipal plant serving a section of New York city seemed likely to be held within a few weeks. Mr. Deutsch stated:

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The Charleston Gazette

INFLUENCE OF A YARDSTICK

While, of course, ordinarily no one could find fault with any attempt to create good will, still, in my opinion, to do so at the expense of the consumers and, by the expenditure of moneys paid by the consumers, to create the revenues of the utility corporations, is rubbing it in a bit too thick.

It would be an infinitely better gesture

and would create much more good will for the corporation if, instead of using such moneys of the consumers to provide entertainment for them, they would reduce the rates and thus provide the consumers with just enough money to choose their own form of entertainment if they were so minded.

WHAT OTHERS THINK

COMPARE this with the report of *The* (Harrisburg, Pa.) *Evening News* on a recent visit of the Pennsylvania Public Ownership League to the offices of the Pennsylvania Public Service Commission. *The Evening News* concluded its report of the incident in the following paragraph:

Members of the league said that they intended to try to get permission from the public school authorities to conduct a campaign of education for public ownership among the school children.

Recalling the criticism made by the Federal Trade Commission over alleged attempts, several years ago, of utility

interests to propagandize the public schools, one cannot help wondering whether the propriety of putting one's case before the public through an advertising medium should depend entirely upon which side of the case is being presented.

—E. S. B.

EVERYBODY'S BUSINESS. By Floyd W. Parsons. *Gas Age-Record*. August 24, 1935.

ADVANTAGES OF RADIO ADVERTISING TO A PUBLIC UTILITY COMPANY. By R. S. McCarty. *Gas Age-Record*. September 7, 1935.

THE NEW YORK TIMES. September 26, 1935.

THE EVENING NEWS. September 24, 1935.

A New Book on the "Utility Question"

IN the vast welter of published material which has emanated from capitalistic presses, bureaucratic presses, and socialistic presses over the multiple problems of utility regulation, there is a singular lack of material written by intelligent authors who impress the readers as being absolutely unbiased. This statement is not meant to dismiss as propaganda much of the able and sincere discussion on utility problems that has been put into print under the signatures of public officials, college professors, utility executives, and others interested in this subject. It is merely to direct attention to the fact that few of the foregoing class of writers enter upon a discussion concerning public utilities without apparently preconceived notions. In truth, their zeal for one side or the other side very often is a reflection of their sincerity.

Occasionally, however, there comes into print a writer who approaches this problem very much in the mental state of the fictitious Man from Mars. Without any discernible sympathy one way or the other, and with the technique of a *New York Times* reporter, Mr. Henry George Hendricks, of Washington, D. C., has sat down and written a book which he somewhat naively en-

titled "The Public Utility Question." One may easily imagine that it was, indeed, a bewildering question to Mr. Hendricks when, as a member of the staff of the House of Representatives Committee on Interstate and Foreign Commerce, he investigated "the public utility situation." The book is written in the grave and detached spirit that one might expect from a report by the Brookings Institution. As a member of the committee's staff, Mr. Hendricks was author of several parts of the staff report. In his own work he is content, namely, to report on the tangled skein of the financing, ownership and control of leading holding companies. He has laboriously waded through the reports of the Federal Trade Commission on its utility investigation, and statements from other official sources, including the Federal Power Commission.

MR. Hendricks does not spare the rod when he exposes the evils and abuses of some holding companies. His two chapters, entitled "Fleeing Investors" and "Fleeing Consumers," contain much able and damaging writing. When all is said and done, however, Mr. Hendricks wistfully remarks in his preface that "there must

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be some virtuous utility holding company enterprises." The writer does not give us examples of such virtue. Apparently, he has not yet met up with any virtuous holding companies.

When he passes on to the other side, Mr. Hendricks' scrutiny does not spare the politician. He concludes his preface as follows:

Neither the House nor the Senate committee handling this matter made use of the services of any competent, recognized authority on economic theory. But there has been a plentitude of theoretical pronouncements on the question by the synthetic colonels and other political sycophants. A list of them would include such as the following: (1) The interests of private utility operators and of their customers are essentially and fundamentally antagonistic since the former are in business to make money; (2) Utility holding company organizations transcend the proper limits of economic and geographic integration and therefore suffer under the handicap of diminishing returns; (3) They reach out into other and foreign fields of economic activity and thus tend toward general economic integration and autocracy, which doom political democracy; (4) They inflate their capitalization structures and in consequence levy excessively high service rates on their customers; (5) They (a) desire to make as

much money as possible, (b) squeeze the last penny out of their customers, (c) cannot earn adequate returns on their capitalizations, and (d) earn excessively high per cents on their capitalizations. (6) They employ able and superior legal talent to beat down and overawe state and local regulatory bodies.

The economic and the logical faults in these indiscriminate charges and allegations are patent. Sophomores may amuse themselves with these contradictions, errors, fallacies, etc. There is, however, a more fundamental and insidious fault in the politicians' arguments. They contend (principally by implication) (1) that electricity is produced under conditions of limitless increasing returns and (2) that holding company groups expand beyond the bounds of economic and geographic integration. The two propositions are necessary philosophic bases of the program of nationalization implicit in the politicians' attacks but they are mutually inconsistent.

While the entire volume is written in a somewhat technical form, it is the opinion of this reviewer that the public could stand a great deal more of investigations conducted with Mr. Hendricks' spirit.

—F. X. W.

THE PUBLIC UTILITY QUESTION. By Henry George Hendricks. Published by the author, 1935.

Notes on Recent Publications

AMERICA MUST STAY BIG. By Charles A. Beard. *Today*. September 14, 1935.

COFFERDAMS IN SWIFT WATER FOR BONNEVILLE DAM. By C. I. Grimm. *Engineering News-Record*. September 5, 1935.

IS THE POWER HOLDING COMPANY NECESSARY? By Dr. Walter M. W. Splawn. *The Journal of Land & Public Utility Economics*. August, 1935.

POWER—CITIZEN OR BUREAUCRAT? By Raymond S. Tompkins. *Electrical World*. August 31, 1935.

Why Babbits outweigh bureaucrats in power supply—A cruise to the land of make believe—Lost incentive as a guide to stagnation.

THE FUTURE OF THE HOLDING COMPANY. By W. L. Willkie. *The Journal of Land & Public Utility Economics*. August, 1935.

THE GROWTH AND THE OPPORTUNITY OF MUNICIPAL POWER. *The American City*. September, 1935.

THE RADIO CENSORS LABOR. By Clifton Reed. *The Nation*. September 25, 1935.

The claim of evidence of censorship in radio broadcasting indirectly enforced perhaps by Federal administrative control is reviewed.

THE TIDE OF BUSINESS. By Marc A. Rose. *Today*. August 31, 1935.

Description of truck law competition.

TOWARD AN ELECTRIFIED AMERICA. By Earl H. Barber. *The Journal of Land & Public Utility Economics*. August, 1935.

VIVISECTING THE HOLDING COMPANIES. *The Financial World*. September 11, 1935.

WATER SUPPLY FROM COAST TO COAST. Special issue, *Engineering News-Record*. September 12, 1935.

A comprehensive analysis of waterworks' practices in eight American cities: Hartford, Conn.; Chicago, Ill.; Michigan City, Mich.; Salt Lake City, Utah; Cincinnati, Ohio; Denver, Colo.; Aberdeen, S. D.; Los Angeles, Cal.

The March of Events

Nation-wide Power Advocated

DEVELOPMENT of new electric power sources to furnish low-cost energy to all parts of the nation was urged recently by the National Resources Committee as a means of strengthening America's social and economic foundation. These recommendations were made after a survey of state planning board reports.

The Resources Committee especially urged building hydroelectric developments. Interior Secretary Ickes, chairman, is a strong advocate of the plan.

The New York State Planning Board pointed out that the country already has the foundation for a nation-wide chain of power projects—St. Lawrence in the Northeast and Tennessee valley in the Southeast, Bonneville and Grand Coulee in the Northwest, and Boulder dam in the Southwest.

The National Committee reported the state boards agreed "that future agricultural developments and especially the creation of farm industries, depend to a large extent upon the availability of adequate electric facilities."

Bankers Assail New Deal Utility Policies

WHILE praising the administration of the new Federal securities laws, investment bankers in their annual convention at White Sulphur Springs, W. Va., trained their heavy guns on other acts of the last session of Congress.

These were the laws providing for dissolution of unnecessary utility holding companies, bolstering of the TVA, and levying higher taxes on big incomes, big corporations, and estates.

The Investment Bankers' Association of America abandoned its long-standing opposition to Federal regulation of utilities in any form, and favored national government supervision "within legal limits" under the auspices of the Securities and Exchange Commission.

Eustace Seligman, prominent Wall Street lawyer and principal speaker before the opening session of the association's convention, expressed the view that the public utilities act was unconstitutional. The public service securities committee, in its report to the convention, said the utility industry and the banker alike must await the action of the courts. Seligman branded the act as "unsound, uneconomical, unfair, and unconstitutional."

After reviewing the fight over the public utilities act, the report said that "the turmoil of the recent past may have disturbed a proper sense of proportion."

It is said the electric power business of the year had prospered, although new construction had been blocked, and that utility securities had advanced substantially in price.

President Names Rail Board

PRESIDENT Roosevelt appointed, October 30th, the members of the Railroad Retirement Board who will administer a fund of from \$130,000,000 to \$140,000,000 a year, to be collected for paying pensions to those of the 1,250,000 railroad employees who reach the age of sixty-five and who retire from active service.

The members of the board are Murray W. Latimer of New York, representing the public; James A. Dailey of New York, representing the carriers, and Lee M. Eddy of Missouri, representing the employees.

Mr. Latimer, who was a member of the Railroad Retirement Board that was abolished when the United States Supreme Court held last year's retirement measure invalid, is an authority on pensions and an actuary. His term will be two years.

Utilities File under New Act

THE Securities and Exchange Commission has received the first registration by a holding company. It was filed by the Orange & Rockland Electric Company of Monroe, N. Y. Three applications have been made for exemption under the holding company act: Connecticut Power Company, Irving Trust Company as trustee of National Electric Power Company *et al.*, and Kansas City Public Service Company, which is primarily a transportation company. The first two of these applications were to be heard by the SEC early in November.

The Federal Power Commission was swamped in late October with applications under the interlocking directorate section of the Federal power act. About 800 applications were filed prior to the deadline October 25th, but many of the leading figures among utility executives are not included. Under the provisions of the act they will be barred from continuing as officers or directors of more than one utility after February 26, 1936. Tests of the validity of the section may come at that time.

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Utility Rate Study Criticized

THE Federal Power Commission sided, through its vice chairman, Basil Manly, with Mayor La Guardia and against former Justice Joseph M. Proskauer in their dispute over the practicability from the consumer standpoint of the proposed construction of the municipal "yardstick" power plant for New York city.

Replying to a letter from the mayor in which he questioned the accuracy of statements by Mr. Proskauer that municipally owned power plants in New York state charged rates higher than those in New York city, Basil Manly, vice chairman of the power commission, said:

"In my opinion neither the bulletin of the Edison Electric Institute (on which Mr. Proskauer based his charge) nor the statements of Judge Proskauer present a fair and

accurate statement of the average rates charged by municipal plants."

The letter asserted that neither the institute nor Judge Proskauer had considered the size of the community in connection with rate levels and that their figures appeared to be based on "raw, unweighted averages," in which population had not been taken into account.

Canadian Power Truce Likely

A COMPROMISE between the provincial government of Ontario and the various power companies with contracts to sell power to Ontario's Hydro Electric Power Commission appeared possible recently. The government deferred repudiation of Hydro's contracts in order to allow the power companies to make a concrete proposal with respect to a reduction in the amount of the contracts.

Alabama

Chief Defends TVA

WARMLY defending the TVA's program of social and economic planning, Dr. Arthur E. Morgan last month, in an address before the fall meeting of the American Society of Civil Engineers at Birmingham, criticized the "political philosophy" taught by the national chamber of commerce as a "doctrine contradicted by experience."

Dr. Morgan assailed the theory "that the public is inherently incapable of serving itself effectively" as one "preached steadily for a century by vested interests without taking deep root."

Regarding the TVA electrification program, Dr. Morgan said "TVA influence drove down prices charged" by private power companies "and the increase of use in the territory has been so great all past records are exceeded

and even the old steam plants are being put into use to meet the demand."

TVA Increases Unemployment

THE city of Florence, heart of the New Deal in Alabama, is facing an acute unemployment and relief situation which is growing more serious as the heavier construction work sponsored by the TVA is brought to a close.

H. M. Crooks, relief administrator for the district, explained to the local rotary club the graveness of the unemployment situation, and further weight was given to his statements by a protest meeting of about 300 persons gathered at emergency relief headquarters.

The situation was reported to be growing more acute daily with continued lay-offs at the TVA works at Wheeler dam.

Arkansas

PWA Bans Utility-City Partnership

THE Public Works Administration announced October 19th that Colonel Horatio B. Hackett, assistant PWA administrator, told Mayor Overman of Little Rock, Ark., it would be necessary for Little Rock's proposed water supply project to be "truly municipal" to get a PWA loan and grant.

However, officials of the Arkansas Water Company do not approve the proposal that

the city of Little Rock build a distribution system to serve consumers of water from the proposed new source of supply in Saline county. The company had previously made a contract with the city, providing for the sale to the water company of the supply from the proposed reservoir on Alum Fork of Saline river.

To build this reservoir and a pipe line into Little Rock, an allotment of \$3,080,000, loan and grant, was approved by President Roosevelt several weeks ago, and the city intended to retire its indebtedness to the PWA with

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the money collected from the company for the water. However, the appropriation has not been released, and a dispatch from Washington indicated it would not be made unless the city arranged to operate the water system.

Status of Utility Deposits Claim

P. A. LASLEY, chairman of the state department of public utilities, who filed an intervention in the receivership proceedings of the Arkansas-Missouri Power Company in a Federal district court of Illinois early in October, was notified October 14th by the attorney for the company, that the original order referred to in Mr. Lasley's intervention was filed, and that other points will be considered before the reorganization program is completed.

Mr. Lasley, acting for the utilities commission, protested against requirements that individual consumers who had posted cash deposits be required to file individual claims

for their deposits and that stockholders' claims be given a superior status to deposit claims. The attorney for the company said the deposit claims will be allowed on the basis of company books and that the matter of priority will be given special consideration before the reorganization receivership is concluded. The court had permitted the commission chairman to intervene.

Raises Franchise Tax

THE city council of Little Rock last month increased the city's 1935 revenues by \$7,000 when it passed without discussion an ordinance fixing the franchise tax of the Little Rock Gas and Fuel Company at \$12,000 annually. The ordinance recited that by agreement with the company it was retroactive to January 1st.

The ordinance amended a previous ordinance which fixed the company's franchise tax at \$5,000 annually.

California

New Line Designed

A MADE-TO-MEASURE "harness" to handle an unprecedented load of Boulder dam electric energy—500,000 horsepower—has been designed in a Stanford University laboratory by engineers who ventured into uncharted fields to test its mettle.

The engineers were called upon to design a power line that would carry this load safely and with a minimum of waste from the dam to Los Angeles, 275 miles. A voltage of 285,000 was specified. No other power line known to the engineers had a voltage of more than 220,000. None was known to carry so much horsepower such a distance.

Set Bond Vote Date

THE date for a special bond election for a municipal light plant at Whittier was set last month for November 26th. The bonds to be voted amount to \$370,000, an estimated 55 per cent of the cost of the new plant. PWA is expected to grant the \$292,000 to make up the full cost.

Gets Rate Cut

A 10 per cent slash in light rates will be put into effect in Bakersfield in December, it was announced by the president of the San Joaquin Light and Power Company last month.

Savings to customers on the basis of pres-

ent use will total \$280,000 annually. Under the new San Joaquin schedule, for domestic use in incorporated territories, the top rate is lowered from 4.5 cents to 4 cents per kilowatt hour and the second block from 3.5 cents to 2.5 cents per kilowatt hour, both blocks being slightly lengthened.

Television Restrictions Recognized

BECAUSE television sending and receiving sets must be synchronized perfectly to be efficient, it is necessary for both to receive their power from the same central station under their present development, experts testified in the first television lawsuit to be tried in local Los Angeles courts.

The suit was tried in the municipal court and involved a suit by a dissatisfied purchaser of a television set to recover his money from the manufacturer. Because both parties were aware of the limitations of the television art at present, the court dismissed the suit.

Municipalities Disturbed

A BLANKET electric rate reduction of \$4,000,000 announced last month by the Pacific Gas & Electric Company has occasioned rather lively turmoil in political circles of communities operating municipal distribution plants and purchasing power from the Pacific Gas Company, according to *The Wall Street Journal*.

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Plans for municipal distribution of Hetch Hetchy power in San Francisco were halted temporarily as a result. The rate reduction has caused city officials to reflect whether the whole scheme would be worth the bother, in view of the lowered rates for service now offered in the city.

Outside of San Francisco, small municipal distribution plants which purchase power from the Pacific Gas & Electric Company are fretting because the new rate cut does not in-

clude a reduction in wholesale rates under their power contracts. The net result would be to make some of the municipal retail rates compare less favorably with retail rates in territory served directly by the utility company.

Some threat of carrying the matter to the state commission has been made, but under the state law the utility company may reduce rates at its own discretion as long as they are filed with the commission.

Georgia

Phone Rate Increase Sought

AN attempt to raise Georgia's telephone rates to their 1933 high levels has been instituted by the Southern Bell Telephone Company, which is seeking to have a Federal court make permanent an injunction against the state public service commission.

By an order of the commission, the phone rates were lowered late in 1933 in 20 per cent of the Georgia exchanges, by approximately \$700,000.

It is believed that the telephone company's

petition for a decree in the injunction case was based upon the recent action of the U. S. Supreme Court in the case of the Chesapeake & Potomac Telephone Company against the Maryland commission.

Sells Municipal Plant

THE city council of Franklin late last month announced the sale of the city's municipal electric light plant to the Georgia Power Company.

Illinois

Special Legislative Session

SECTION 5 of a proclamation issued October 22nd by Governor Henry Horner, calling a special session of the general assembly, suggested passage of legislation authorizing the

state, its municipal corporations and political subdivisions to enter into contracts with the Federal government for construction of public works.

Under this section, some of the Ickes bills of last session may be introduced.

Indiana

Seeks Customers

CONTENDING that appeal under a special act of the legislature automatically stays a judgment against a municipal city, the city attorney of Huntington last month announced that the city would not regard itself as bound by the injunction against development of its lighting plant, issued by Special Judge David E. Smith in the Huntington circuit court. While one branch of the city government continued to hook new customers on to the light plant lines, another—the legal department—prepared to plead this automatic stay of execution as a defense against the contempt citation filed October 16th before Judge Sumner Kenner and set for hearing November 1st.

Tax Cut

MAYOR C. W. Bangs, who has gained wide notoriety for his one-man battle against the power company serving Huntington, last month suffered a setback in his plan to extend the town's municipal electric plant. The mayor proposed a 23-cent increase in the city levy to finance plant improvements, but the state board of tax commissioners reduced the tax levy 20 cents. It is the mayor's desire to force the Northern Indiana Power Company to withdraw from Huntington for lack of customers.

Mayor Bangs has requested a grant of \$90,000 from the PWA, to be used in construction of a new municipal light plant.

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Drive for Municipal Ownership

A CITY-WIDE drive for municipal ownership of public utilities got under way in Terre Haute last month when the mayor told a meeting of city employees that vindication of his campaign pledge would "cut taxes and bring money into the city treasury," it is reported.

Plans are being made to circulate petitions for municipal ownership among voters, with a view to holding a general election to decide the matter. Moves have already been made to acquire the Terre Haute Water Works Company.

Other utilities serving in the city of Terre Haute are the Indiana Gas Utilities and the Citizens Independent Telephone Company.

Kentucky

City Gas Rates Studied

WITH the city's course on telephone rates charted, Mayor Neville Miller recently turned definitely to a solution of the gas and electric rates.

Next March will mark the end of the temporary contracts for electric rates and of the 2-year franchise granted to the Louisville Gas & Electric Company, as the result of a compromise agreement which ended proceedings in the Federal court started about three years ago.

Before all the proceedings had been concluded, the company and the city decided on a compromise agreement for a period of two years during which the city was to obtain a full appraisal of the company's property in Louisville.

In a letter to the mayor, P. H. Howson, the city's representative, expressed the belief that he and the Byllesby officials, representing the L. G. & E. Co., would be able to agree on 50 per cent, possibly 75 per cent of the appraisal items. After conferences to settle any difficulties that might arise, it is expected that Mr. Howson and his associates will be able to set up a rate schedule for consideration by the board of aldermen and the mayor.

Gas Case to Be Pushed

COUNSEL for two Lexington gas consumers, who plan to take an appeal into the 10-year litigation between the city of Lexington and the Central Kentucky Natural Gas Company to the Supreme Court of the United States, said recently that the appeal of his clients had been granted by the Kentucky Court of Appeals at Frankfort, October 9th,

and that it was intended to take the case before the highest Federal court as soon as the record of the case could be transcribed.

He further stated that the action at a meeting of the Lexington Gas Consumers' League, October 14th, at which some 200 members of the league authorized it to take the necessary steps to seek the immediate distribution of the \$1,200,000 fund, which is approximately the amount impounded in the case, did not alter the intention of his clients to take the case before the Supreme Court.

Telephone Rate Cut Planned

AN ordinance contract which would cut telephone rates in Louisville 25 per cent—effecting, according to Mayor Miller, a saving to Louisville telephone users of about \$675,000—was sent to the city board of aldermen October 15th.

The new ordinance would become effective January 1st, and besides providing the rate cut, the measure contains, those familiar with it said, provisions which would give more protective safeguards to users than are contained in the present contract, which expired January 1, 1934. However, in the old contract it was stated that the rates set up therein should continue until the company or the city took steps to establish new rates. Since that time, the city has had the whole telephone matter under study.

Incidentally, the Kentucky Public Service Commission's investigation of local and long-distance telephone rates and other charges made by the Southern Bell Telephone & Telegraph Company is nearing completion and a date for a hearing on the commission's findings will be set soon.

Michigan

Profit-sharing Plan for Gas Utility

THE city council was recently informed that the Detroit City Gas Company has agreed

to a unique profit-sharing plan, under which excess earnings will be returned annually to consumers.

The plan would allow the company a base annual earning of \$3,850,000, revenue above this sum to be split between consumers and

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stockholders, on a 50-50 basis for the first additional \$550,000, and thereafter on a 75-25 basis with the consumers taking the big end.

Natural Gas Plea Filed

A FORMAL petition for permission to bring a natural gas pipe line from the Central Michigan oil fields into Detroit was presented to the Detroit city council October 17th by A. Thomas Sarkisson, manager of the Industrial Natural Gas Pipe Line Company.

The petition said surveys by geologists and engineers show an adequate supply of natural gas in Michigan for both industrial and domestic purposes in the Detroit area, and that tentative arrangements had been made with "sufficient of the producers to insure a supply of natural gas for the Detroit area at approximately 50 per cent less than is being paid for fuel at current prices."

The state public utilities commission has

turned down Sarkisson's petition for permission to build a public pipe line into Detroit; but it is Sarkisson's hope that if the council will permit him to build a private industrial line, the commission will relent and allow him to use the line as a public line, bringing in gas for domestic use.

Detroit Seeks Phone Slash

LOWER telephone rates for Detroit were demanded by Arthur F. Lederle, assistant corporation counsel, in a brief filed October 16th with the public utilities commission.

Lederle declared the profits of the Michigan Bell Telephone Company, on Detroit business, exceed "a fair return" by at least \$2,500,000, and rates should be cut accordingly.

Also pending before the commission is an application of the attorney general for lower telephone rates. A hearing was held during the summer.

Minnesota

Public Plant Doubtful

THE forces of municipal ownership of utilities are forging ahead in Minnesota, but it is "exceedingly doubtful" whether St. Paul voters ever will accept municipal ownership, according to L. A. Cowles, executive secretary of the Minnesota Municipal Utilities Associa-

tion. About 100 representatives of municipal plants attended the initial meeting of the convention held last month in St. Paul.

Mr. Cowles' assertion was based on his belief that the Northern States Power Company is very active, having a large number of stockholders, who have thousands of friends and relatives.

Nebraska

Supreme Court Suit

THE right and left hands of the Federal government clashed last month in a supreme court suit. The state of Nebraska seeks to halt diversion of the North Platte river for the \$30,000,000 Casper-Alcova reclamation project in Wyoming. The Federal government has already approved the Casper-Alcova project, designed to irrigate 85,000 acres of land. The water will be obtained by building a dam to store waters of the North Platte river.

The government also has approved the PWA project, estimated to cost \$9,700,000, which will dam the North Platte river in Nebraska for power and irrigation purposes. Counsel for Nebraska interests contend the river cannot serve both projects.

If the contentions of Nebraska are sustained, one of the two PWA projects must be abandoned. The case will probably require two years for determination, with testimony to be

taken by a special master before a final decision is issued.

The Platte valley district was also opposing the Tri-County project, which is seeking approval of the Nebraska state engineering department. However, there are indications that Washington is turning financial pressure on the Platte group to squelch its opposition. It was reported that there had been drafted a Federal agreement with the Platte district, which contains a provision that the latter "co-operate" with the Tri-County and Loup river projects. Execution of such a condition would be a prerequisite to the Platte group getting 2.2 millions from the PWA.

Rural Extensions Sought

PRIVATE power companies are apparently reaching out for the more profitable part of the rural electrification business, according to the *Nebraska State Journal*. The Nebraska Power Company, it was reported, filed

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nine applications early in October with the railway commission for authority to construct various rural line extensions.

It is hinted at Washington that a number of the public power districts already organized will not be able to meet the requirements laid down by the bureau in charge with respect to chances for profitable operation.

Senator Norris is quoted as saying he does not expect that more than a dozen counties will get Federal aid.

Ickes Fights Mullen Bill

ASSERTING he felt the \$175,000 fee Arthur F. Mullen sought in connection with two PWA Nebraska power projects was not reasonable, Secretary Ickes referred the bill of

the former Democratic National Committeeman to the PWA legal department.

Mullen represented the Platte Valley Public Power and Irrigation District, which has obtained \$9,700,000 in PWA allotments and the Loup River Public Power District, which has obtained \$8,700,000.

The fee, if collected, will be paid by the two water authorities. Their funds, however, are received from PWA and they account to PWA for their expenditures. A clause in the blanket contract between PWA and public agencies entitles the Federal agency to withhold future funds if it disapproves expenditures. In a number of cases where bills have been submitted for legal services, PWA pressure is said to have been responsible for reduction of fees.

North Carolina

Rural Electrification

THE Duke Power Company reported last month that thus far it has erected 473.3 miles of rural lines in North and South Carolina, and expects to run this total to more than 500 miles by January 1st. E. C. Marshall, vice president of the company, notified the North Carolina Rural Electrification Authority that it plans to construct "equally as many miles in 1936." Mr. Marshall's letter, made public by the chairman of the NCREA, said 317 miles of line have been erected through October 15th in North Carolina.

Virginia Company to Serve

OFFICIALS of the Virginia Electric and Power Company at Richmond, Va., recently confirmed reports that Vepco is negotiating for rights to furnish current to three communities in Hertford county, North Carolina. Twenty-six miles to the rural electrification program of North Carolina will be added when the negotiations are completed.

Similar negotiations are being made with Union, N. C., and if these go through as planned, 3 more miles will be added to the rural program.

Oregon

Federal Projects Not Needed

GIGANTIC engineering feats, similar to the Bonneville and Passamaquoddy bay projects, are feasible, but far beyond any present need, according to Edward M. Graham, president of the Bangor Hydro Electric Company of Bangor, Me.

Mr. Graham, after a visit to Grand Coulee and other major government projects, stated:

"The engineering feats being performed are gigantic in scope and feasible, according to my opinion. They are sound and producing marvelous engineering, but after all they are far in advance of any need. I am a firm believer in keeping the government out of business and of the opinion that the expenditures would be of more benefit if these projects were used to assist producing private compa-

nies, who, at the present time, could not attempt such expenditures for development and can see no need for them."

House Considers Power Bill

THE Grange power bill, vetoed during the regular session by Governor Martin, has been revived in a special session of the legislature, which was supposed to confine itself to one purpose—building a new state capitol.

The power act has been introduced by the state house utilities committee and is identical with the measure recently filed by the Grange as an initiative proposal. If passed, the house measure would be automatically referred to the voters. Thus the circulation of initiative petitions would be avoided.

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Voters Reject Municipal Plan

SPRINGFIELD voters turned down the city council and mayor last month when they refused to approve a charter amendment which would eventually have put the city in the light and possibly the water business.

The amendment would have authorized the

council to purchase, construct, or acquire a light and water system by purchase, condemnation, or otherwise. The opposition held approval would reduce the city's tax income and drive the Mountain States Power Company out of the city. Supporters claimed the amendment was necessary to negotiate for lower rates.

Pennsylvania

Commission Seeks WPA Fund

THE public service commission may acquire a half-million-dollar fund to investigate utility valuations. Richard J. Beamish, chief counsel for the commission, revealed late last month that its application to the Works Progress Administration for \$450,000 to make a revaluation of the Pennsylvania Power & Light Company properties is being redrafted to extend use of the funds to other companies.

The original request, forwarded to Washington by the state WPA administrator, was returned with the notation that it was "too specific." Federal authorities, it is understood, do not wish to become involved in a legal dispute between a regulatory body and a particular company.

The new general wording was expected to pave the way for approval of the project and at the same time give the public service commission additional funds for investigation of values on which utilities base their rates.

The project, designated as an aid to "white collared jobless," calls for employment of 205 engineers, accountants, lawyers, and clerical workers.

Utilities Face Quiz

THE public service commission on October 29th ordered an inquiry made to find out what money was spent by nine affiliated operating utilities in the recent attempt to defeat the Federal utility control bill at the last session of Congress. The commission will also seek information as to intercorporate contracts between each affiliated company.

The utilities under fire are Pennsylvania Electric Company, Northern Pennsylvania Power Company, Erie Lighting Company, Solar Electric Company, Clarion River Power Company, Penelec Water Company, Johnstown Fuel Supply Company, Reading Coach Company, and Reading Street Railway Company.

Rules were issued against each company to show why copies of all contracts and agreements should not be filed with the commission, as required by law; why penalties should not be imposed for failure to do so, and why penalties should not be imposed for violation of the commission's accounting rules. Hearings on the citation are scheduled to begin November 20th at Harrisburg.

Tennessee

TVA Plans Line Extension

WITH its power loop program beginning to work out in West Tennessee, the Tennessee Valley Authority recently went to work on details of a plan to extend a trunk transmission line into the mid-section of the state.

This line will open new regions for rural electrification and tap the rich phosphate beds of middle Tennessee. The TVA plans to utilize the phosphate rock in its fertilizer program.

The route of the proposed transmission line is expected to start at Ardmore on the Tennessee-Alabama line and extend to near Columbia.

The first move toward realization of a power loop linking eight west Tennessee towns

was completed when Jackson signed a 20-year contract for TVA power. Other towns in the proposed loop are Covington, Union City, Dyersburg, Bolivar, Somerville, Trenton, Milan, and Dickson.

City Approves TVA Pact

OVERRULING a protest filed October 15th by the Memphis Power & Light Company, the city commission of Memphis unanimously passed a resolution authorizing the mayor to sign a contract with the Tennessee Valley Authority to distribute TVA power in that city. The attorney for the power company asked a 30-day delay to allow time for an additional protest, which was overruled. The company plans an appeal to the court.

The company also opposes the application

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of the city for a \$10,000,000 PWA loan and grant to build or acquire a municipal system with which to distribute TVA power. In a referendum election held November, 1934, the city voted 17 to 1 in favor of a bond issue for TVA power.

Power Plant Rejected

THE Columbia city council last month voted 5 to 4 against acceptance of a loan and grant of \$204,000, approved by the Works

Progress Administration, for use in construction of a municipal power distribution plant. The application for a loan and grant was made two years ago and provided for borrowing \$112,000 and a grant of \$92,000.

After much debating on the advisability of introducing Tennessee Valley Authority electricity, city officials agreed that they had no direct information of the availability of such current. The city is under contract to the Tennessee Electric Power Company to use the utility's service until three months after completion of the Norris dam.

Texas

Conservation Law Tested

THE Texas attorney general's department recently took an unusual court procedure to sustain the constitutionality of the gas conservation statute whose validity is under contest in a 3-judge Federal court, by instituting suits against the Texoma Natural Gas Company and the Texas Panhandle Gas Company in state court so that the validity of the conservation law might be passed on by the courts of the state. Both the railroad commission and the attorney general say there is a sound constitutional basis for the ratable takings of this gas legislation.

Power Company's Property Values Reduced

DALLAS Power & Light Company property value reductions totaling \$100,500, a step that will assist the city in forcing a reduction in rates, have been ordered by supervisor of public utilities, Joseph F. Leopold, he announced recently.

The latest reduction of \$67,500 was ordered with approval of the council when he authorized a 4-wire system to be installed instead of the present and more costly 7-wire one.

Mr. Leopold stated:

"Since adoption of the company's franchise, the property value has increased fivefold as the growth of the city called for extensions. The city and the supervisor think that since all property value is subject to the authorized franchise return, it is good business to keep this property value as low as possible.

"The power company will earn the same return on a smaller amount of property value, but under the franchise since rates are determined upon a composite of property value and earnings, plus reserves, it will more quickly force a rate reduction."

Gas System Construction Enjoined

A TEMPORARY injunction was granted recently restraining the city of Taft, San Patricio county, and the state director of the Public Works Administration, from using PWA funds to construct a gas system at Taft.

The injunction was asked by the United Gas Public Service Corporation, which alleged that the public works program is unconstitutional.

Federal Judge Kennerly did not pass on the constitutionality, but granted the injunction to preserve conditions in their present status until the case is heard on its merits.

Washington

Gather Puget Power Data

SEATTLE city experts have been driving forward recently with a survey to determine the value of the Puget Sound Power & Light Company properties in the city of Seattle and vicinity.

With the aid of Frank McLaughlin, power

company president, and his staff, information on the company's business and engineering developments since 1915 will be compiled. This will be used for the public's guidance in preparation for a possible election on the question of buying the private power properties throughout the county and merging them with City Light.

The Latest Utility Rulings

Keeping Money on Loan with Parent Company Disapproved

AN arrangement by which a public utility company would keep surplus funds on loan with a parent company was held to be detrimental to the utility company, in a decision by the Pennsylvania commission.

A plan had been followed for many years by which the subsidiary forwarded to the parent company such amounts from time to time out of its revenues as were not immediately necessary for operating expenses, maintenance, or capital investment. The parent company had power to determine what portion of the loaned funds would be withheld from investment in government securities and devoted at interest to its own purposes. This was said to

be the chief fault of the arrangement.

Advantage to the subsidiary was seen in the experienced trading of the parent corporation in securities. Advantage to the subsidiary was found to be lacking, however, in the other uses of the funds loaned. A considerable sum, it had been testified, had been loaned to banks at a very low rate of interest.

The commission pointed out that if the subsidiary found there was constantly an excess of cash in its treasury over its needs, it might properly use such excess for retiring part of its outstanding preferred stock upon which a fixed rate of dividend was paid. *Re Peoples Natural Gas Co. et al. (Application Dockets Nos. 33836, 33837).*



State Commission Cannot Question Right of Interstate Motor Carrier to Operate

THE Federal District Court for the Northern District of Florida granted an injunction against the Florida Railroad Commission and others to prevent interference with operation by the Pan-American Bus Lines operating in interstate commerce between New York city and Miami, Florida.

Following the enactment of the Federal Motor Carrier Act of 1935 the commissioners and certain motor carriers who would be affected by competition objected that the Pan-American lines could not inaugurate operation without having a certificate of public convenience and necessity from the Interstate Commerce Commission. It was alleged that these parties were threatening to arrest the operators of the interstate carrier and to molest or interfere

with operation unless such a certificate were procured.

The interstate carrier alleged that all requirements of the Motor Carrier Act of 1935 had been complied with. The court, in rendering its opinion, said:

... it is the opinion of the court that by the Motor Carrier Act of 1935 complete jurisdiction and control over the subject of interstate commerce by motor vehicles upon the public highways has been vested in the Interstate Commerce Commission, and the defendant, railroad commissioners, are without jurisdiction to grant or deny a purely interstate motor bus operation such as the commission has found the operation of plaintiff to be. The sole authority to grant or deny such a certificate of public convenience and necessity is vested in the Interstate Commerce Commission. . . .

It is apparent, therefore, that the regulation of vehicles of interstate commerce is vested in the Interstate Commerce Commis-

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sion and not in any state commission; and if the plaintiff in the operation in question is not conforming to the Federal law or any rules and regulations of the Interstate Commerce Commission it is the province

of the Federal agency to complain and not that of the Florida Railroad Commission.

Pan-American Bus Lines v. Douglass et al.



Exemption from "Low-cost" Rate Plan Denied

NEW rate schedules have been filed by many electric utilities in Wisconsin in accordance with the broad principles for a "low-cost" rate outlined by the commission in an intermediate order issued last spring. The commission recently disposed of a request by the Commonwealth Electric Light Company to be exempt from applying the "low-cost" plan to residential customers in Mount Horeb and Darlington.

The application for exemption stressed the utility's diminished income after rate reductions which had been ordered, and indicated that when business conditions should improve and be in general conducive to promotional rates and sales efforts, perhaps then would be a more opportune time for again reducing the company's rates.

The company took the position with respect to Darlington that it did not wish to make any adjustments in rates in view of the fact that the city apparently was under contract with a consulting engineer whereby such engineer would obtain part of the savings to the city that might be made because of any adjustment in rates as a result of negotiations that the city had under way in the past and an acquisition case which was pending. The commission said:

The "low-cost" rate plan cannot be considered as an immediate general reduction in rates but is simply offering increased use of service at a lower rate than now available. The commission is of the opinion that notwithstanding pending acquisition proceedings at Darlington, residential customers are entitled to the same consideration and opportunities under 2-U-810 as other municipalities in the state which may not be involved in acquisition proceedings. Whatever may be the terms of a contract between the city and its consultant, such a contract does not appear to us to have any bearing on the reasonableness of rates or of the "low-cost" rate plan.

The situation in Mount Horeb, however, was said to be somewhat different. The commission had found the value of the property for purposes of acquisition by the village, and that order gave a period of four months for the village to act. If the village acquired the property, it would presumably wish to file its own rate schedules. Accordingly, no order for Mount Horeb was issued.

The commission designed an objective low-cost rate plan for application in Darlington. This rate was designed in accord with the principles, spirit, and intent of the earlier intermediate order and, in the opinion of the commission, should work to the benefit of both customers and utility. *Re Commonwealth Electric Light Co. (2-U-810).*



Construction and Maintenance of Water Services

THE New York commission, after an investigation of the practices of water corporations with respect to the construction and maintenance of service lines, required waterworks corporations to establish and publish rules and regulations covering such matters. The following provisions were included:

2. Such rules and regulations shall in no case provide that the customer shall maintain and repair any service pipe owned or claimed to be owned by the waterworks corporation rendering service.

3. Said rules and regulations shall further specify:

(a) The minimum depth that service pipes shall be laid below the surface of the ground to prevent freezing, said depth to

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be based upon the water corporation's experience.

(b) The size, kind, and class of pipe and appurtenance.

(c) That the minimum acceptable size of service pipe shall be 4-inch nominal diameter, except for certain special cases which shall be clearly defined in the said rules.

(d) That all service connections with mains where the cover over such mains is less than 5 feet shall be made on the side of said mains so that the service pipe in no place shall have a lesser cover than the main pipe.

4. Said rules and regulations shall be called to the attention of all applicants for new service by printing upon the service application forms or other appropriate methods.

The general trend of the testimony was that it was not practicable or proper for the commission to adopt an order setting up a specific minimum depth of cover for services and mains because of the wide range of temperature and soil conditions throughout the state. The commission discussed methods employed and charges made in connection with the thawing of frozen lines. It was said that in general thawing is a part of maintenance and appears to go along with ownership. *Re Practices and Rules and Regulations of Waterworks Corporations (Case No. 8367).*



Customer Required to Pay for Replacing Frozen Meter

COMPLAINT was made to the Pennsylvania commission that the Pennsylvania Water Company had compelled a club which was a customer to pay for a new meter after irreparable damage to the meter in use as a result of freezing. The customer claimed damages for a loss in membership, with consequent financial loss, because of delay in furnishing service until the club paid for the new meter. Reimbursement for the amount paid was also demanded.

The commission dismissed the complaint. It disclaimed authority to award consequential damages although it said the company should not have denied service pending the settlement of the dispute concerning payment for the meter. The freezing was found to have resulted from negligence of the customer.

A company rule provided that customers should provide suitable vaults for meters and that meters would be maintained by the company, but damage due to freezing would be paid for by the customer. This customer had provided a suitable vault for the meter, but the commission said:

However, while respondent's rule required the consumer to "provide" a suit-

able vault for a meter, this requirement obviously carries with it maintenance of the vault. With respect to maintenance of its meter vault, we find that complainant has been negligent.

The meter vault was covered with boards, but after being in use for about four years gaps between the boards appeared. The interior of the vault was exposed to the outside atmosphere.

Commissioner Gruenberg filed a dissenting opinion, in which Commissioner Stahlnecker concurred, based on the premise that the utility could not stand idly by and permit conditions to develop and exist which might result in damage to its property. The meter reader, he said, was in a position to observe the condition of the vault cover. The records showed that the company had never advised the customer that the meter vault was in any way inadequate.

Commissioner Gruenberg agreed, however, that the commission had no authority to award consequential damages, although he believed that the company should be ordered to refund the amount collected for the meter. *The Westinghouse Club v. Pennsylvania Water Co. (Complaint Docket No. 10782).*



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Louisiana Phone Case Sent Back to Lower Court

By unanimous decree, the Louisiana state supreme court October 15th affirmed the action of Judge W. Carruth Jones in East Baton Rouge parish district court in dissolving a temporary injunction granted to the Southern Bell Telephone and Telegraph Company, which stayed the order of the public service commission reducing statewide telephone rates.

The supreme court remanded the litigation to the lower court for hearing on the merits. The case came to the tribunal on the appeal instituted by the telephone company.

The public service commission, following a hearing of several days, issued an order in March directing the telephone company to make reductions to subscribers all over the state, ranging from 50 cents to \$1 a month for each subscriber.

The telephone company, in attacking the constitutionality of the statewide order, contended that the mandate is "confiscatory, unreasonable, arbitrary, and in violation of the state Constitution," and would cause a loss of revenue to the company in Louisiana approximating \$600,000 a year.



Property of Water Utility Valued by Federal Court

ANOTHER step in the rate-making litigation of the Indianapolis Water Company was taken when Judge Robert C. Baltzell in Federal court fixed the valuation of the company's property at \$21,392,821. The valuation was based on findings by a master in chancery with certain modifications.

The judge sustained exceptions of the water company in two instances and that of the state in one instance. This resulted in adding \$1,333,333 to the figure submitted by the master in chancery.

The company had sought a valuation of \$28,000,000 and protested against the commission order of December 30, 1932, which fixed the valuation at not less than \$22,500,000. The case went to the United States Supreme Court,

where the commission was overruled, and then was sent back to the lower court.

The opinion of the master in chancery that 6 per cent was a fair rate of return was sustained by Judge Baltzell. The company had contended that this allowance was insufficient.

A contention by the state that land valuation should be reduced was sustained. The land was bought five years ago with the announced intention of building a reservoir, but the judge said in part:

There is no reason why the people should pay an increased rate for water on "reserved" property that never has been developed. It is merely farm land and should be valued on the basis of other farm land.

Re Indianapolis Water Co.



Municipal Utility Must Serve CCC Camp

THE village of Bloomington, Wisconsin, has been ordered by the Wisconsin commission to take steps to increase its water supply facilities and to improve the quality of the water by obtaining a new well and pumping equipment. The commission was of the opinion that the village as a water util-

ity was under legal obligation to furnish adequate service to the public, including a CCC camp within the village limits, and to meet the demand in the territory as that demand develops.

The commission also criticized practices of the utility officials. It was found that records of the water utility